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ABSTRACT

This document contains 11 papers that explore knowledge and value development in the field of management consulting, with particular emphasis on trends and techniques in the practice of management consulting and the current theory and dynamics of management consulting. The following papers are included: "Introduction" (Anthony F. Buono); "Management Consulting for Client Learning? Clients' Perceptions of Learning in Management Consulting" (Andreas Werr, Hakan Linnarsson); "Knowledge Management in Action: A Study of Knowledge Management in Management Consultancies" (Nicoline Jacoby Petersen, Flemming Poulfelt); "The Limits of ISO9000 Consulting Methods: Toward a Multidimensional Approach" (Isabella Vasconcelos, Flavio Vasconcelos); "Executive Coaching as the Intervention of Choice for the Derailing Executive: Some Unanswered Questions" (James M. Hunt, Joseph R. Weintraub); "Outsourcing Strategic Decision Making: Opportunity or Constraint?" (Ginka Toegel); "Creating Collaborative Communities" (Jeffrey Shuman, Janice Twombly); "Consultancy Foundations: Toward a General Theory" (Craig C. Lundberg); "Toward a Theory of Management Consulting: A Proposed Model and Its Implications" (C. Ken Weidner II, Eli E. Kass); "Functions and Roles of Management Consulting Firms" (Michael Nippa, Kerstin Petzold); "Huh and Its Variants: Signs of Potential Doom?" (Susan M. Adams); and "How to Understand Management and Change: Is the Actor's Logics System Analysis One Useful Answer?" (Georges X. Trepo). Most papers contain substantial bibliographies. (MN)

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DEVELOPING KNOWLEDGE AND VALUE IN MANAGEMENT CONSULTING

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INTRODUCTION

Anthony F. Buono

The second volume in the *Research in Management Consulting* series focuses on developing knowledge and value in management consulting. While there has been an exponential explosion in both the presence and role played by management consultants, the exact nature of their contribution—to client organizations, to our understanding of management and organization, to our comprehension of the increasingly complex dynamics associated with business in a global marketplace, and to the development of their own firms—remains ambiguous. Just as the business world is experiencing rapid and, at times, volatile change, the consulting industry itself is also facing unprecedented change and challenge. Over the next decade, forecasts suggest a world of difference for management consulting, from different competitors and different types of projects and assignments, to different skill sets and different fee structures, to different client expectations (Greiner, 2001).

Despite these burgeoning changes, a large part of the literature on management consulting continues to depict the consultant as a detached expert, advising clients on isolated problems on a relatively short-term, temporal basis (see, e.g., Creplet, Dupouet, Kern, Mehmanpazir & Munier, 2001). Yet, this conventional wisdom seems to run counter to the reality that more and more organizations and consulting operations are experiencing today, especially in the context of the emerging knowledge society. A growing number of observers are pointing to the changing role of the consultant—from advisor to implementer—as consultants are becoming more intimately involved in the day-to-day operational realities faced by their clients (cf. Greiner, 2001; Poulfelt, 2001). Client expectations are

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increasingly focusing on results rather than reports and analyses—a far cry from a not-too-distant past when consulting was conceived as the "art of giving advice that other people would act on" (Wooldridge, 1997, p. 15). While true knowledge creation—the ability to develop novel ideas and innovations for clients—is likely to remain a differentiating factor among the "expert" consultancies (see Robertson, Swan & Scarbrough, 2001), it appears that it is no longer sufficient for consultants to simply have "bright" ideas. The consultant's ability to add value and to directly contribute to client learning and success are becoming increasingly important.

Of course, virtually every consulting firm as part of its public relations blitz promises superior knowledge, superior results, and thought leadership. There are also myriad promises to help create value through a wide array of initiatives, from mergers and acquisitions, to customer branding strategies, to anticipating and capturing growth opportunities and reengineering operations, to building digital businesses. However, numerous questions linger. How much true knowledge and value development actually takes place during a consulting intervention? How much client learning really occurs? While management consulting firms may have a clearinghouse of knowledge and frameworks at their disposal, to what extent is that knowledge base fully shared and understood by the consultants (let alone the clients) assigned to a particular engagement? As consultants become longer-term "residents" of client organizations, how do consultant–client relationships change over time, potentially creating the basis for new levels of discourse and learning within the client organization (see, e.g., Carter & Scarbrough, 2001)? Yet, to what extent is client and consultant learning shaped by the political sensitivities and diverse interests that exist in organizations (see Beckman, 1998)? Do consulting services provide an exchange of knowledge that is sought after and valued by clients, or is consultancy largely viewed as a means of coping with the ambiguities inherent in a complex and uncertain business environment (cf. Alvesson, 1995; Savary, 1999)?

In large part, this volume was inspired by a March 2001 international conference on management consulting in Lyon, France, cosponsored by the Socio-Economic Institute of Organizations (ISEOR) at the University Lumiere Lyon 2, the HEC School of Management, Copenhagen Business School, Central Michigan University, and the Management Consulting Division of the Academy of Management. Designed to foster knowledge transfer on a worldwide basis, one of the conference's goals was to build bridges between academicians, consultants, clients, and interested observers, facilitating a critical examination of the issues surrounding knowledge management and value development in the consulting field. A unique dimension of this gathering was its emphasis on integrating theory *and* practice, delving into consulting dynamics in ways that were both interest-

ing to and useful for researchers as well as practitioners. Reflecting the conference, this volume also attempts to integrate theory and practice with a strong international orientation, with contributions by scholars from Brazil, Denmark, England, France, Germany, Sweden, and the United States.

DEVELOPING KNOWLEDGE AND VALUE IN MANAGEMENT CONSULTING

Volume Two in the *Research in Management Consulting* series contains 11 chapters that explore knowledge and value development in the field of management consulting. Similar to the first volume in the series, the book is divided into three sections: (1) the management consulting industry, with a focus on issues related to developing knowledge and value for clients and the consulting firms themselves; (2) an examination of recent trends and techniques in the practice of management consulting; and (3) reflections on the current state of affairs concerning the theory and dynamics of management consulting.

The Management Consulting Industry

The first chapter by Andreas Werr and Håkan Linarrson examines client perceptions of their own learning during consulting engagements. Based on their field study, the authors argue that while learning is seldom explicitly discussed or intentionally built into an intervention, learning does take place during a consulting project. Such learning, however, is typically accidental rather than planned, takes place on an individual rather than organizational level, and mainly comprises tacit knowledge that is focused on the process rather than the content of the consulting initiative.

As part of their analysis, Werr and Linarsson focus on how clients attempt to manage the consultant–client relationship and the effects that these efforts have on learning processes. Their field research revealed that managers tend to have ambiguous, and often conflicting, views about how they use consultants. While consultants were largely viewed as detached experts, their actual involvement in the client organization was much deeper, pointing toward a role that Werr and Linarsson refer to as "business development partner." Yet, although this type of involvement creates a situation in which consultants have ample opportunities for learning, the client's learning is far less realized, creating an increasing dependence on consultants. In essence, executives try to keep consultants at a distance, interacting with them as detached experts, while consultants themselves

are getting more involved in their client organizations, learning more from the intervention than their clients.

This dynamic raises a paradox that permeates learning processes in consulting engagements. As Werr and Linarsson found, although clients try to counteract the power of consultants in order to reduce their dependence, their actions, which are based on an incomplete conception of the consultant's role, lead to more rather than less dependence. Thus, rather than striving for a tighter control of their consultants' actions, Werr and Linarsson suggest that clients should focus more fully on managing their own learning in the consulting process, looking for opportunities and arenas for learning in concert with their consultants.

Extending the theme of learning from consulting interventions, the next chapter by Nicoline Jacoby Petersen and Flemming Poulfelt examines knowledge management and knowledge-sharing practices in Danish and international management consulting firms. Although there is a growing recognition of the value embedded in more systematic and holistic knowledge management activities, Petersen and Poulfelt found that the consulting firms in their study are still focused on relatively fundamental problems in knowledge management.

Petersen and Poulfelt delve into the organizational and managerial dimensions of the knowledge-sharing process, and how they shape the level of knowledge and knowledge development in consulting firms. Their study points to a series of critical issues related to knowledge sharing, including the importance of having an explicit knowledge strategy; the relation between the project organization and the power and mobility of individual consultants; the influence of layout and physical office space; time-related pressures and concerns (including the mandate of billable hours); the problems associated with decontextualizing information in electronic databases; the need for a broader range of incentives that go beyond financial and promotional opportunities; the importance of establishing trust among organizational members; and the necessity of top management support.

Based on their fieldwork, Peterson and Poulfelt develop a knowledge-sharing typology along six dimensions that range from ensuring mere information availability to true firm-wide cohesion: knowledge storing, distribution, exposure, transfer, exchange, and collectivism (e.g., mentorships, communities of practice). As they conclude, the organizational infrastructure and accompanying rhetoric that exist in consulting firms have a significant impact on day-to-day knowledge activities, shaping the ways in which knowledge is shared and utilized. When knowledge sharing is a fully integrated part of a consulting firm's operation, organizational members are more likely to think of knowledge sharing as an advantage rather than an obstacle. As Petersen and Poulfelt point out, however, there

is a tendency for knowledge employees—especially consultants—to avoid any appearance of ignorance (by seeking advice). Thus, it is not enough to simply make knowledge available, because mere access does not mean that the knowledge will be shared and utilized as intended. Consultants will be more likely to ask for and contribute knowledge *if* such interaction is seen as a prerequisite for successful job performance.

The final chapter in this section, by Isabella Gouveia de Vasconcelos and Flavio Carvalho de Vasconcelos, looks at organizational learning within the context of ISO9000 (International Standard Organization) implementation. Drawing on two in-depth case studies in the French computer industry and an exploratory study of 15 French management consulting firms, they found two very different approaches to implementing ISO9000 standards: an "in-depth" procedure (concerned with organizational effectiveness *and* external legitimacy) and an "instrumental" process (concerned solely with external legitimacy). Suggesting that ISO certification is often more myth than substantive change, they argue that while ISO9000 requirements may lead to similar formal structures between organizations in the same industry, there is ample diversity in practice. In effect, depending on how the standards are implemented, ISO certification is frequently decoupled from day-to-day activities.

Vasconcelos and Vasconcelos argue that resistance to change is a common phenomenon in ISO9000 implementation programs, especially those that emphasize engineering-oriented consulting approaches. They suggest that to create true value in client organizations, it is important to go beyond the structural "fit" between organizational standards and ISO9000 requirements, helping the organization to reconfigure the nature of its work and social interaction patterns and networks. The majority of consultants in their study, however, relied solely on conventional, engineering-based approaches in their implementation of ISO9000 procedures.

This formal approach leads to what Vasconcelos and Vasconcelos refer to as the "successful failure," where changes are largely artificial and little more than a facade to convince ISO auditors. According to the authors, consultants must realize that such approaches, which can readily threaten an organization's collective self-concept, are typically ignored, rejected, reinterpreted, or hidden. For true learning and change to take place, they advocate blending formal ISO9000 methods with psychoanalytic approaches that permit a fuller diagnosis of the social tensions inside and outside the organization, attempting to build bridges between such standardized processes and the realities of organizational change, client learning, and real value creation.

Trends and Techniques in Management Consulting

James Hunt and James Weintraub explore the field of executive coaching, with an emphasis on the nature of the learning that takes place when coaches work with derailing executives. Using an action-science perspective (drawing on the distinction between espoused theories and theories-in-use), they question whether such learning is often more oriented toward ensuring organizational compliance rather than facilitating personal and organizational development. Delving into the growing literature on executive coaching, Hunt and Weintraub point to the lack of consensus and specificity regarding its definition, contracting, and engagement processes, the role of the coach, confidentiality issues, and prescribed coaching actions and coaching outcomes. They conclude that the underlying assumptions guiding much of executive coaching with derailing executives encourage compliance-oriented learning, which may or may not be appropriate to the actual cause(s) of the executive's problems.

Hunt and Weintraub point to an inherent paradox in executive coaching, especially for derailing executives—such coaching takes place in a hierarchical context, is typically paid for by the organization, operates under ground rules stipulated in highly complex multiparty negotiations, and yet requires a significant degree of confidentiality if it is to be effective. As they suggest, such procedural and contextual factors, coupled with the unarticulated governing conditions by which hierarchical systems operate, exercise a significant constraint on the nature of learning that can occur. Thus, while our expectations may be quite high, executive coaching may have rather limited usefulness beyond that of simple skill building. Their analysis sets the stage for an exploration of this problem, which is critical to our ability to assess the usefulness of executive coaching as a means of helping executives (and their organizations) significantly improve their adaptability and performance.

Ginka Toegel extends the theme of consultant as business development partner (developed in the Werr and Linarsson chapter) in her examination of a growing business phenomenon—the increasing oursourcing of decision making to management consultants. Toegel suggests that such outsourcing—which includes keeping track of and interpreting the consequences of developments in a client organization's environment—presents both an opportunity (in less developed fields) and constraint (in well-developed fields) for organizations. Drawing on bounded-rationality theory and agency theory, Toegel argues that when organizational complexity increases, there is a positive relationship between organizational efficiency and outsourcing decision making. There are limits, however, to the long-term effectiveness of such outsourcing, especially as the issue(s) in question become more commonplace.

In a less developed field, the cognitive limits and biases of an organization's managers and executives may prevent the firm from generating and evaluating the range of alternatives necessary for success. In these contexts, Toegel suggests that outsourcing key parts of the decision-making process to consultants can be useful, since an objective, third-party expert can provide information and insight potentially not available to insiders. As a field becomes more fully developed, however, by relying on such input firms run the risk of simply mimicking their competitors. Since consulting companies can be viewed as huge repositories of best practices and best solutions for specific problems, in well-developed fields consultant recommendations could lead to a sufficient convergence of strategies that there is little variation across client firms. Thus, as she concludes, the question is not whether or not an organization should outsource its decision making to consultants, but rather what amount of outsourcing is optimal and how client organizations might counter the tendency of consulting firms to rely on best practices (mimetic isomorphism).

In the final chapter in this section, Jeffrey Shuman and Janice Twombly focus on an emerging reality of business today—the Collaborative Community. Driven by advanced communication and information technologies, Shuman and Twombly argue that we are moving toward a new way of doing business, a new business pattern with new rules and new competitors. As they suggest, any business that is involved in the making and/or delivery of products, services, and/or information is no longer part of a linear value chain, but instead is part of a broader, more dynamic, interconnected, *collaborative community*, where each member benefits by focusing on profitably satisfying the personal needs and wants of the individual customers that define the community.

Their premise is that we have entered an era of collaborative business, where commerce is done in trading communities. These communities are built by developing trusting, purposeful, and mutually beneficial relationships with customers and business partners through a continuous stream of value propositions that helps each party achieve its respective goals. Shuman and Twombly argue that two basic realities—(1) the power in business relationships has shifted to customers and as a result (2) traditional business and industry structures are increasingly ineffective in this emerging customer-centric era—are precipitating this transformation. While changes of this magnitude are clearly placing new demands on businesses and their management, they also pose a number of challenges for the consulting industry, especially for those consultants attempting to improve client performance in this new business environment.

The chapter provides an iterative framework for thinking about and intervening in these Collaborative Communities that encompasses (1) helping the client adopt a customer perspective and mindset; (2) describ-

ing the set of customer needs and wants the business must satisfy to deepen its relationship with the customer and grow its business; (3) identifying and addressing the cultural and operating impediments to aligning the business with customer needs; (4) assisting the client in building collaborative relationships and value propositions; and (5) developing simple, nearly real-time measurement systems to assess performance and evaluate assumptions based on real-time data. Drawing on their consulting experiences creating Collaborative Communities, they underscore that such change is as much about developing a new mindset and thought process as it is about the actual activities that occur.

Reflections on Management Consulting

While both the practice of and research on consulting continue to grow at an exponential pace, theory building about management consulting has been lacking. Moving from macro- to micro-theory building, this section contributes to our understanding of consulting and consulting processes through the creation of general and specific theories about management consulting.

The first chapter by Craig Lundberg creates the foundations for a general model of consultancy that attempts to embrace all known types of helping relationships, from personal and spiritual counseling, to social work, engineering, and business consulting, to organizational and institutional development. Lundberg provides a common perspective and a common language – something that has been lacking in the consulting area— that attempts to transcend the sometimes overly content- and/or context-dependent explications of consulting and the consulting process.

The framework focuses on uncertainty reduction as the underlying process that embraces all known models of helping, assistance, and consultancy, including doctor–patient, supplier–purchaser, and facilitator–peer models. Lundberg begins by specifying the assumptions, domain, and criteria for the theory, shifting to a succession of propositions and nominal definitions that casts clients, consultants, and the client–consultant relationship in the context of human systems. The framework outlines the occasions for consultancy, elaborating on consultancy as a generic assistance process.

In similar fashion, Ken Weidner and Eli Kass build on existing management theory in their attempt to develop a foundation for a theory-based model of consulting that parallels the practitioner literature. Beginning with a distinction between what consulting is—and *is not* (e.g., outsourcing, a convenient euphemism for being unemployed, vendor relationships)— they draw out the salient features of the consulting process, including an

emphasis on establishing independence from the client, helping clients effect constructive change, improving client utilization of resources and capabilities, and, in general, helping clients achieve their objectives.

Their framework combines the descriptive aspects of consulting into four clusters: relationships (helping, service, ethics), expertise (knowledge, skills, abilities), change (including negotiation), and organizational effectiveness. Drawing on the resource-based view of the firm, Weidner and Kass suggest that the multilevel influence of different contexts (e.g., the client organization's culture, industry/sector dynamics, the consulting firm's culture, the consulting firm's professional community) readily shapes consultant–client interactions and outcomes. Their analysis then turns to the engagement process itself—creating a model of engagement—and questions surrounding the evaluation of consulting assignments.

The next chapter by Michael Nippa and Kristen Petzold continues this theoretical development, focusing on three key issues: (1) the roles that management consultants play within the consultant–client relationship; (2) the functions that are fulfilled by management consulting firms; and (3) the extent to which these functions are accomplished more effectively by the consultancy (as a specialized organization) rather than by the client firm itself. Based on a review of the literature, Nippa and Petzold underscore the significant heterogeneity that exists in the definition of management consulting, comparing and contrasting self-presentations by management consulting firms with practitioner and academic assessments of consulting roles and tasks.

In an effort to develop a consistent and comprehensive theoretical framework, they distinguish between three levels of analysis, at the macro- (industry), meso- (organization), and micro- (individual) levels. At the organizational level, their framework further emphasizes specialization, coordination, and agency considerations, which they suggest provide greater insight into different management consulting activities. As part of their analysis, Nippa and Petzold also explore the role of management consultant as political instrument, as consultants may be hired to mollify groups that are dissatisfied with the organization, trying to ensure their support while lessening opposition and conflict, or engaged to work on risky, difficult, or unpopular tasks and decisions (consultant as organizational scapegoat).

Taken together, these three chapters provide ample direction and insight that should fuel a burst of theoretically driven research in the management consulting field. Each of the authors calls for empirical tests of the hypotheses and arguments, encouraging others to question and develop these models by incorporating additional perspectives and integrating other relevant theories. The challenge, as each clearly lays out, is to

continue to move forward by refining and extending the beginnings that are offered in these frameworks.

The volume concludes with two chapters that offer a clinical orientation to consulting interventions, calling for management consultants to focus more fully on the perceptions and meanings that underlie actions and behaviors. Building on her observations of organizational life and management consulting experiences, Susan Adams examines patterns of organizational behavior associated with variations of the word "huh." Adams suggests that most of the expressions of "huh"—ranging from "huh?" (i.e., "I don't understand what you are saying"), to "HUH?" ("What?") and "HUH!!" ("I'm above all that"), to "Ah-huh!" ("Got you dummy")—reflect an array of organizational ills and maladies.

While there are some "huhs" associated with healthy organizational behavior (e.g., "uh-huh," meaning "I understand, I'm following you"), she argues that probing the "huhs" and how they are used in conversations and actions can alert consultants to areas of trouble caused by communication difficulties, misaligned systems and processes, lost trust and hopes, and arrogance among organizational members. The chapter concludes with suggestions for distinguishing between unhealthy ("signs of potential doom") and healthy expressions of "huh," underscoring the importance of listening and watching for subtle clues ("warning signs") that signal potential organizational troubles.

The final chapter by Georges Trepo presents a framework—the Actors' Logics System Analysis (ALSA)—that emphasizes the need to understand different phenomena from the vantage point of the individual. Based on a political model of organizations, the ALSA approach focuses on the arrangements and interactions between organizational members, probing the power relationships that exist in the system. The chapter describes and illustrates the ALSA method, which is based on five interrelated action steps: (1) identifying the actors, (2) drawing a sociogram of relevant relationships, (3) evaluating the power positions of the various actors, (4) reconstructing the logic underlying their actions, and (5) identifying the costs and consequences associated with the arrangements and negotiations between organizational members.

Trepo argues that it is necessary to reconstruct the "logic of action" of key organizational members ("actors") and the "games" they play in framing organizational interventions and consulting engagements. Arguing that organizational members oppose or cooperate according to (1) the true objectives and logic underlying their action and (2) their *perception* of what they will win or lose, he argues that consultants must ensure that "solutions" to organizational problems are invented locally by relevant stakeholders. The ALSA framework provides a basis for consultants to assist organizational members in explaining and interpreting the information

and challenges facing them, realizing that there may be strong resistance from some of those involved. As he concludes, drawing on insights from an ALSA assessment, consultants can mediate discussions between organizational members, facilitating a common understanding that is based on the actors' logics of action (which are respectable in their own right).

As this brief overview has hopefully captured, the second volume in this series provides ample insight into and differing perspectives on the complex issues involved in developing knowledge and value in management consulting. Once again, thanks are due to all the authors for their thoughtful work, good-natured colleagueship, and willingness to contribute their thoughts and insights about the consulting field. In his critical examination of the consulting industry, Wooldridge (1997, p. 22) called upon business academicians to "puncture [the] consultants' mystique," delving into the workings and activities associated with management consulting firms and the consulting process. The volume—and this series—is a step in that direction.

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Part I

THE MANAGEMENT CONSULTING INDUSTRY

CHAPTER 1

MANAGEMENT CONSULTING FOR CLIENT LEARNING?

Clients' Perceptions of Learning in Management Consulting[1]

Andreas Werr and Håkan Linnarsson

Management consulting is generally described as a process of helping managers solve problems that occur as part of their managerial responsibilities. The International Council of Management Consulting Institutes (ICMCI), for example, defines management consulting as "the rendering of independent advice and assistance about the process of management to clients with management responsibilities" (www.icmci.com). This view of management consulting, with its focus on the consultant's independence, draws a strong line between the consultant and the client. Indeed, in the literature the consultant's independent and neutral role in relation to the client is repeatedly highlighted as a central feature of management consulting (Greiner & Metzger, 1983; Kyrö, 1995). A management consultant stands apart from the client, not taking the client's problem definition and facts as a given, but forming his or her own, independent appraisal (Greiner & Metzger, 1983, p. 6).

The supposedly independent and neutral position of the management consultant is an important prerequisite for the consultant's ability to create an "unbiased" view of the organization as an "outsider." This outsider role makes it possible for the consultant to view the client organization with

"fresh eyes" and generate objective information about it (Greiner & Metzger, 1983; Schein, 1988).

A second important assumption underlying the service of management consulting is that it is a contractual relationship, implying a clear definition of the content, terms, and duration of the relationship. The Code of Conduct of the ICMCI, for example, specifies that a member "will make sure that before accepting any engagement, a mutual understanding of the objectives, scope, workplan and fee arrangement has been established" (www.icmci.com). This orientation implies that the consultant–client relationship is a temporal one, with a specific purpose of solving an identified problem for (or together with) the client. Such views of the consulting engagement are also reflected in much of the literature on management consulting that depicts the consulting process as consisting of a number of phases. The engagement normally starts with an initial contact, driven by a perceived problem from the client's side, and ends with the implementation of the consultant's recommendations (see Greiner & Metzger, 1983; Kubr, 1982).

This image of the management consultant as an actor taking a distanced position from the client and solving singular, identifiable problems in processes that have a distinct starting and ending point becomes somewhat problematic in light of recent developments toward what might be called the "knowledge age" (Miles, Snow, & Mathews, 1997) or the "knowledge society" (Nonaka, 1991). Knowledge has in recent years become an increasingly important variable in conceptualizing and understanding organizations (cf. Badaracco, 1991; Grant, 1996; Inkpen & Dinur, 1998; Nonaka & Takeuchi, 1995; Teece, 1998). Many of these writers point to knowledge as a key to an organization's competitive advantage. Surviving in today's marketplace is often described as being dependent on a continuous development of the company's knowledge base. Such developments are no longer possible within the firm's own boundaries, but increasingly require permeable boundaries that allow extensive and continuous knowledge exchange with relevant stakeholders in the organization's environment (Badaracco, 1991; Inkpen & Dinur, 1998; Miles et al., 1997).

This chapter discusses the management consultant's role in the emerging knowledge society. More specifically, we ask two questions: (1) How do managers in client organizations view the consultants' contribution to the client's learning? and (2) How can we better understand the client's approach—and its consequences—to learning in consulting projects? These questions are examined based on an explorative interview study with high-level managers in two multinational client organizations.

Our assessment begins with a detailed discussion of what might be called "the permeable organization" (Matusik & Hill, 1998), an emerging reality of increasing knowledge intensity. A central characteristic of such

permeable organizations is their ability to learn continuously in interaction with their environments. After a brief look at what is known about learning through this type of collaboration, the chapter turns to the consulting literature with a focus on conceptualizations of client learning. As this review suggests, the treatment of client learning in the consulting process is somewhat limited. Using this material as our context, the discussion turns to the world of practice, focusing on client reasoning in regard to their use of consultants. Our field work indicates that many of the assumptions concerning the nature of consulting services as well as the idea of solving a single problem as a neutral and objective observer does not describe the reality of consultant–client interaction. Rather, consultants have long-term relations with their clients going far beyond single projects. The respondents in this study, however, appeared to hold conflicting views on this reality. While they appreciated the need for such long-term, flexible interaction with their clients, they also saw the need to reduce such relationship-based ambiguity so it would be closer to the kind of contractual relationship described in the literature.

MANAGEMENT CONSULTANTS IN THE PERMEABLE ORGANIZATION

Knowledge is one of several central assets for organizational survival. In their innovative processes, organizations no longer only have to process information and solve problems, but rather have to be engaged in the continuous creation of knowledge as well (Nonaka, 1994; Nonaka & Takeuchi, 1995). This dynamic involves changes both in the internal operations of organizations and in their relations to the environment.

Badaracco (1991) describes the "globalization of knowledge" as an important challenge to organizations, requiring a rethinking of traditional organizational boundaries. As he suggests, central to the globalization of knowledge is a vast global pool of commercializable knowledge that is increasing at an accelerating pace, and a growing number of different actors that are getting involved in the production of such knowledge. In order to handle this increasing knowledge flow, organizations can no longer operate as isolated entities, but have to create "knowledge links" to their environments, in essence alliances through which companies seek to "learn or jointly create new knowledge and capabilities" (Badaracco, 1991, p. 12).

Alliances between organizations can create different kinds of knowledge for their parent companies in a number of ways. First, a firm involved in an alliance may get access to some important knowledge in a partner organization. The mere access to this knowledge in the alliance may be sufficient, or the firm might want to aim at transferring this knowl-

edge to its own operations. Second, the operations in the alliance might generate new knowledge that the parent organization can use in its operations. Finally, firms involved in alliances may acquire knowledge on how to design and manage future alliances (Inkpen & Dinur, 1998). In this chapter, the focus is on the first two aspects of alliances: knowledge transfer and knowledge creation.

Management consultants are potentially important partners for such knowledge links. Bessant and Rush (1995) and Hargadon (1998) describe consultants as important actors in their client organizations' innovation activities. Bessant and Rush identify four contributions consultants can make to the client's innovative system: (1) transferring specialized expert knowledge; (2) sharing their experiences from other organizations and assignments; (3) acting as "marriage brokers," providing access to specialized services delivered either by the consultant or other organizations; and (4) taking a diagnostic role, helping the client to articulate and define their needs of innovation. The potential importance of management consultants as actors in the innovative processes of their client organizations is also highlighted by Sarvary (1999), who claims that the character of the consulting industry is changing to the point where its role as knowledge broker is emphasized over its role as problem solver.

The reliance on management consultants as knowledge brokers, however, is not without risk. An important aspect of the consultants' broker role is the transfer of knowledge from one place to another. Such transfers imply that organizations, by using consultants, expose their knowledge to the risk of being spread to competitors. At the same time as consultants bring in knowledge, they also learn about the specific and private knowledge of the client company (Badaracco, 1991; Matusik & Hill, 1998). This dynamic—the risk of losing competitive knowledge to competitors through consultants—has been acknowledged as a real threat by top managers in large Swedish organizations (Engwall & Eriksson, 1999).

A second risk of relying too heavily on external knowledge and advice concerns the fit of the external knowledge with the organization's specific situation. What might be an effective solution in one company can prove disastrous in another. In relying on consultants as sole sources of bringing in external knowledge, clients risk missing out on the important process of adapting the external knowledge to their specific situation. Several of the disastrous consulting engagements described by O'Shea and Madigan (1997) failed because the consultants lacked a thorough understanding of the client organization, applied standard solutions, and were unwilling to confront the client with information that challenged the client's taken-for-granted view or political agenda.

The above discussion indicates that management consultants can clearly play an important role not only in being neutral problem solvers, but also

as partly integrated actors in the client companies' innovative processes. Knowledge transfer and knowledge creation, however, are not easily realized. The challenge both lies in making it happen altogether, as well as in ensuring that the positive consequences outweigh the negative ones. In order to achieve such outcomes, the processes of knowledge creation and transfer have to be actively managed (Aadne, von Krogh, & Roos, 1996; Matusik & Hill, 1998; Wathne, Roos, & von Krogh, 1996).

Interorganizational Learning

The notion of knowledge and its development within an organizational setting is complex, and requires further specification to be meaningful. In this chapter, we base our reasoning on a cognitive view of knowledge, according to which knowledge is represented in individuals' cognitive maps (Sims, Gioia, & Associates, 1986). These maps can be shared to differing degrees within an organization. If a large portion of the members of an organization shares them, we can talk of organizational knowledge. Learning is subsequently constituted by changes in these cognitive maps.

Knowledge transfer and knowledge creation are two other concepts that we draw on to capture learning in cooperative contexts. By *knowledge transfer* we mean the transfer of already existing knowledge from one individual or organization to another, whereas *knowledge creation* refers to the joint creation of new knowledge (cf. Inkpen & Dinur, 1998). This distinction, however, is merely an analytical one, as knowledge seldom remains unchanged when traveling from one place to another (Lillrank, 1995; Sahlin-Andersson, 1996). Most knowledge transfer thus also involves some extent of knowledge creation.

Knowledge Characteristics

A first characteristic of knowledge in an organizational context is its level of *sharedness* (Hedlund, 1994; Nonaka & Takeuchi, 1995). Knowledge in organizations can be common to the organization (via its members) to varying degrees. It can be stored only in an individual's head or spread widely through the organization and manifested in organizational rules and routines. Hedlund (1994) distinguishes between four levels of knowledge carriers: the individual, the group, the organization, and the interorganizational domain. Thus, an important aspect of organizational knowledge creation is the amplification and diffusion of individual knowledge to more collective levels (Hedlund, 1994; Inkpen & Dinur, 1998).

A second characterization of organizational knowledge distinguishes between *tacit* and *explicit* knowledge (Hansen, 1999; Hedlund, 1994; Polanyi, 1967). Explicit knowledge is easily verbalized and thereby easily trans-

ferable from one person to another. Examples of explicit knowledge are different kinds of checklists, manuals, and operating procedures that describe appropriate actions in different situations.

In the definition of tacit knowledge, we follow Polanyi (1962) who describes such knowledge as nonverbalized, often even nonverbalizable, and intuitive. The nonverbalizable character of this knowledge makes it difficult to transfer to others without engaging in extended face-to-face contact generating shared experience (Nonaka, 1994; Nonaka & Takeuchi, 1995).

A third characteristic of knowledge treated here is the level of *embeddedness* of a knowledge element (Hansen, Nohria, & Tierney, 1999). Knowledge that is independent of other knowledge elements is transferred more easily than knowledge that is highly embedded into an organizational system. Transferring an isolated software module from one place to another, for example, is thus less problematic than transferring an organizational procedure for knowledge management, a system that relies on company culture, software package support, and strong links to the organization's reward system. As Lillrank (1995) observed, organizational practices of this nature are often highly embedded, making them difficult to transfer from one context to another (see also Teece, 1998).

Knowledge in a consulting context can also be classified according to its *content*. In the ICMCI's effort to create a uniform body of knowledge for management consulting, a division is made between knowledge concerning the practice of consulting and knowledge concerning the practice of management (Kyrö, 1995). Knowledge concerning the practice of consulting covers the different activities in the consulting and change process. Examples of this kind of knowledge are diagnostic skills, project management skills, and communication skills. Knowledge concerning the practice of management involves issues such as organizing, the use of IT, performance measurement, and so forth. In our analysis, we will refer to knowledge linked to the practice of consulting as *process knowledge* and knowledge about the practice of management as *content knowledge*, as this relates to the nature (content) of the consulting assignment.

Characteristics of the learning situation

The ease of learning across organizational boundaries is to a large extent dependent on the character of the knowledge to be acquired. If the knowledge is explicit and has a low level of embeddedness, it is relatively easily acquired and diffused. If the knowledge is of a tacit character and highly embedded, however, its acquisition becomes more problematic. Diffusing this kind of knowledge requires significant interaction between the knowledge carrier and the knowledge receiver (Lillrank, 1995).

Wathne, Roos and von Krogh (1996) and Aadne, von Krogh and Roos (1996) identify five factors important for enabling learning in interorgani-

zational projects: openness and trust, interaction channels, prior experience, internalization, and motive. These factors are useful for analyzing management consulting projects from a learning perspective.

Openness and trust concern the willingness of the individuals involved in the consulting process to share their knowledge with each other and interact freely. Such interaction is central for the transfer of the more tacit knowledge that is embedded in social relations and work patterns, as well as the creation of new knowledge. In consulting engagements, openness is important both for clients to share information about their organization as well as making consultants contribute their expertise. Trust is also an important prerequisite for open interaction in the consultant–client relationship (Bergholz, 1999; Edvardsson, 1990; Lageson, 1999).

Interaction channels describe the context in which interaction takes place. The richer the communication channels (preferably face-to-face), the larger the possibilities for learning (Nonaka & Takeuchi, 1995). The consulting process should create many broad arenas for intense interaction between consultants and different actors in the client organization.

In order to be able to acquire and exploit new knowledge, it has to be integrated with the existing knowledge stock of an organization. Thus, *prior experience* in working with a specific partner increases the chances for knowledge generated in interaction to fit the existing stock of knowledge (Aadne et al., 1996).

Internalization concerns an organization's ability to exploit knowledge in a cooperative relationship. This process involves both the organization's ability to identify relevant knowledge and to diffuse it to relevant parts of the organization. These abilities are linked to the involved individuals' earlier experiences and the existence of arenas for knowledge exchange (Aadne et al., 1996; Stjernberg, 1993).

Finally, *motive* concerns the background of the cooperative relationship. For learning to take place, it has to be an integrated and explicit goal of the cooperation between the consultant and the client organization. If such a motive is lacking, learning is unlikely to happen (Aadne et al., 1996).

CLIENT LEARNING IN THE MANAGEMENT CONSULTING LITERATURE

Two opposing views on learning—which represent two different approaches to the management consulting process—can be identified in the literature: expert versus process consulting (cf. Greiner & Metzger, 1983; Schein, 1988, 1993; Stjernberg & Werr, 2001). In the *process-consulting role*, the consultant focuses on the interpersonal relations in the client organization, and the taken-for-granted assumptions that govern these relations

(Risling, 1987; Schein, 1988). By contributing to better communication and the development of more efficient interpersonal processes, possibilities for viewing the organization and its environment in new ways are created. Schein (1988) describes the potential learning in process consultation as follows:

> The events to be observed and learned from are the human actions that occur in the normal flow of work, in the conduct of meetings, in the formal or informal encounters between members of the organization, and in the more formal organizational structures....
>
> The essential function of process consulting, besides facilitating the client's learning throughout the consulting process, is to pass on the skills of how to diagnose and fix organizational problems so that the client is more able to continue on his own to improve the organization. (p. 11)

The focus of learning in process consultation is thus the client members' understanding of the internal, interpersonal processes through which problems in the organization are approached and solved. Learning about the client organization also takes place in the problem solving process itself, in which organizational members learn from each other and create shared new knowledge (cf. Schein, 1988; Stjernberg & Werr, 2001; Vogt, 1993). Emphasis is placed on the client's acquisition of the analytic and problem-solving skills involved in process consultation. In terms of the knowledge characteristics discussed earlier, process consultation mainly involves tacit and embedded knowledge and focuses on process knowledge. In order to make learning in process consultation happen, the consultant's values and skills are instrumental. Vogt (1993) lists 11 success factors for empowering the organization in the consulting process, including self-awareness, interpersonal skills, a focus on the client and his needs, democratic values, and the importance of "walking the talk."

An important assumption underlying process consulting is that the client possesses the necessary content knowledge for solving his or her problem. The consultant's role is to support the organization's problem-solving processes so that this knowledge can be used productively. The process consulting literature, to a large extent, denies that the consultant may possess important content knowledge concerning the problem to be solved. Providing such knowledge is seen as a violation of an important assumption in process consulting—that the client should own the problem that motivated the consulting process as well as the solution resulting from this process.

The expert consultant is often presented as a contrast to the process consultant. This individual is seen as a problem solver and source of expert knowledge. Consultants should diagnose the problem and suggest a solu-

tion based on their experience and expert knowledge. The expert consultant possesses both knowledge about alternative solutions as well as knowledge about the adaptation of these solutions to a specific situation (Bessant & Rush, 1995; Greiner & Metzger, 1983). Through his/her external and independent position, the consultant is also seen as having unique possibilities to generate objective information on the organization and its environment (Kieser, 1998).

The client's learning, from this perspective, is viewed as unproblematic. If it is even discussed, it is generally examined in terms of the client's understanding of the proposed solution, as this is a central prerequisite for its implementation and institutionalization. The expert consulting literature is generally not concerned with the client's ability to tackle similar situations on his own in the future. Knowledge is, in this literature, mainly viewed as explicit and therefore easily transferable. What might hinder this transfer is the trust between the client and the consultant, a factor that might impede an open exchange of information. Other barriers might be the use of inexperienced junior consultants or an unclear problem definition (e.g., the client does not know what he or she wants). The above two styles of consulting are summarized in Table 1.1 in terms of their knowledge base, assumed consulting role, and client learning.

Table 1.1. Knowledge and Client Learning in Different Consulting Styles

	Expert Consulting	*Process Consulting*
Consultant's knowledge base	Content knowledge (e.g., about organizational structures, IT, etc.)	Process knowledge (how people interact)
	Explicit knowledge	Tacit knowledge
	Weakly embedded knowledge	Strongly embedded knowledge
Consultant's role	Expert/problem solver	Coach/facilitator
Client learning	Understanding the solution	Understanding the organization's interpersonal and problem-solving processes
		Skills for diagnosing and intervening in the above processes

This review of the consulting literature suggests that the client's learning in the consulting process is handled superficially and one-sidedly by both the process consulting and the expert consulting literature. Whereas the client's learning is largely ignored in the expert consulting literature, it is given substantial attention in the process consulting literature. However, this literature's focus on the client organization's interpersonal processes

and the consequential disinterest in the consultant's content knowledge misses a large potential source for true generative learning in the client organization. Against this background, we turn to practice in order to see how client managers deal with the issue of their own and their organization's learning in the consulting process.

CLIENTS' VIEWS OF LEARNING IN CONSULTING

In order to gain an understanding of clients' views of learning in consulting assignments, we conducted an interview study with 10 managers in two large Swedish organizations in the telecom industry. The respondents were high-level managers responsible for business and organizational development on a division level. We also interviewed the two managers responsible for the respective company's policies for hiring management consultants.

All the respondents had considerable experience buying and/or leading large management consulting projects and had recently been involved in different large-scale, division-wide reorganization and change projects. These recent projects were the focus of the interviews. In much of the previous research on management consulting, insufficient distinctions between different kinds of management consulting have been made (Fincham, 1999). The background and responsibilities of the respondents and the focus on reorganization and large-scale change projects are thus believed to be important dimensions of this research.

The interviews lasted between one to two hours, were carried out in a semi-structured format, and covered the managers' history of working with consultants, as well as their positive and negative experiences from an important recent project of their choice. Special attention was given to the managers' perceived learning in the consulting projects. The interviews were taped and transcribed. The transcriptions were entered into the software package NVivo™, where a qualitative content analysis of the interviews was carried out.

How Clients Use Consultants

In both companies, management consultants were an ever-present part of the managers' lives. All managers had experiences with several different consulting organizations. However, each organization had its "preferred suppliers" in terms of two to three consulting companies that were repeatedly mentioned by the respondents. The relations with these companies generally ranged several years back in time, and the chances that one of these would be chosen when a new project was considered were large. For-

mal bidding procedures, inviting a broader range of consultancies to submit proposals, were rare. In choosing consultants, managers would either turn to one of the preferred suppliers or check with their personal network for consultancies that had done good work in a particular type of project before. This type of buying behavior, emphasizing the importance of earlier experiences and personal networks, is well in line with the findings of other studies focusing on the purchasing of management consulting services (Dawes, Dowling, & Patterson, 1992; Maru File, Cermak, & Prince, 1994; Poulfelt & Payne, 1994).

Each organization also had what it described as a "house consultant," that is, a consulting company (in the studied cases, one of the "big five" global strategy consultancies) that had acted as a primary advisor to top management for considerable time. In one of the companies, respondents reported that these consultants had supported top management in each large change process over the past 10 years. These "house consultants" were closely linked with the top-level management in the organizations and as top management recently changed in one of the organizations, the "house consultants" were also replaced.

Why Clients Use Consultants

The study revealed three main categories of reasons why clients hired management consultants. Management consultants were seen as important for helping the client to "see the big picture," gain knowledge from inside the client organization, and to get energy and focus for a change process.

To "See the Big Picture"

The managers described themselves as caught up in day-to-day activities, with very limited ability to look at the "big picture" from a more strategic and improvement-oriented perspective. As illustrated by one of our respondents, in order to overcome this shortsighted and introverted perspective, the input of consultants was highly valued:

> I believe that this type of consulting can be valuable in some phases and situations. It is foremost in two situations that the consultants have been important—in reorganizations and when we have started change programs. In both these cases, there is short-sightedness in our own organization that the consultants can help to overcome. (Manager A)

Consultants are thus valued for their knowledge of what is going on in the client organization's environment, both in the client's own industry and in other industries. Some of the respondents noted that knowledge of

the environment beyond the boundaries of the client's industry was just as important as industry knowledge, since this kind of knowledge often can lead to real innovations. The consultants were also valued for their networks, which enabled them to access state-of-the-art knowledge in many areas of practice, as well as to arrange site visits to leading organizations that could inspire new solutions.

The consultants had an important role not only in bringing in knowledge about the environment, but also in helping the client organization interpret what this meant for them, and how they could understand their own organization in light of the developments in the environment. As one of our respondents noted:

> This business has had an immense growth. The consultants have been important in helping us to improve it along the way. You don't have the strength to look at the big picture when you grow so fast. In this situation, consultants assist you in seeing where you are going, what the industry looks like, and what happens outside. (Manager B)

This knowledge of what is going on outside the client organization was highly valued by the managers, not only for its ability to generate new ideas, but also, if not primarily, in order to reduce the uncertainty of the managers. Several of the respondents claimed that they hired consultants in order to check the sanity of their ideas and plans, as well as prepare an analysis as a basis for decision. The management consultants clearly reduced the perceived risk in taking actions:

> Consultants help you find the facts underpinning a decision. They give you an investigation of the consequences—what happens if I make the change? Will everything break down? What are the risks? (Manager C)

The above motives for hiring consultants thus reflect a view of them possessing a unique expertise of state-of-the-art business practices. This knowledge is of an explicit kind and can have varying degrees of embeddedness. However, the knowledge per se was regarded as of limited value without the consultant's ability to apply it to the client organization, which in turn required that the consultant had detailed knowledge of the client organization. The generation and continuous updating of this knowledge of the environment was regarded as an important task for the consultants, which to a large extent placed them in an expert consulting role. Since building up similar knowledge internally was not seen as a viable alternative, internal consultants were therefore not seen as alternatives to external consultants in terms of providing the client with an understanding of the "big picture."

To Gain Knowledge From the Inside

Besides bringing in knowledge about the organization's environment, the respondents also valued consultants for their ability to contribute knowledge originating from the client organization. Through their neutral and independent position, consultants were regarded as having unique possibilities to generate objective information internally:

> In organizations, people often have strong self-interests. This makes it hard to get an objective picture of what is going on in the organization. Here consultants, with their external view, can help. (Manager A)

Consultants were thus viewed by the managers as a way of bypassing the information filters created by the organizational hierarchy as well as organizational politics, which can readily become salient in times of organizational reorganization and change (cf. Pfeffer, 1981; Schein, 1988). Management consultants are seen as a way for managers to gain a "true" picture of what is going on in their organization.

In creating this understanding of the organization, consultants also contribute to the discovery and implementation of internal ideas. By becoming champions for internal ideas, these perspectives could be brought to the attention of top management, thereby getting a chance to be implemented. For some managers, the consultants were thus seen not only as a downward "hearing aid" in the organizational hierarchy, but also as an upward amplifier. Consultants were also regarded as having good connections with top management, which was import for some of the interviewed managers.

The "house consultants" in one of the studied companies had supported management for a number of years. Thus, they had built up a unique understanding not only of the client company's current structure, but also of its historical legacies. This knowledge was highly valued by some of the managers, who described the consulting company as the organizational memory of the organization:

> *XX* Consulting is very big here. They know the company better than several of our managers. They have participated in every major change program during the last 10 years. Their contact person knows our history and how we reasoned in different change programs better than several of our managers do. (Manager B)

These consultants had an understanding of the organization, the knowledge base of organizational members ("who knows what"), and the trends and sentiments in the organization, an understanding that strongly increased the potential value they could create:

> Organizational development is to some extent about amplifying changes that have already happened in the organization. Organizational development becomes much more effective if it can be carried out more organically, if we have persons that act for management deep down in the organization, sensing what is going on there. *XX* Consulting [the house consultants] has helped our management with this for many years. (Manager A)

The "house consultants" had thus become an important support for top management. They could provide such support through their understanding of what was going on in the client organization's environment, what was going on in the organization itself, and what the historical causes of these developments were.

A thorough understanding of the client organization was not only important as a direct source of knowledge to the managers, but also for the consultants' ability to make use of their external knowledge for the client organizations' gain. Understanding the client organization was viewed as a prerequisite for giving advice that was possible to implement in the organization.

To Get Energy and Focus

A third set of motives for why managers hired consultants was only to a limited degree linked to their possession of specific expert knowledge, but rather to the consultants' personalities and ways of approaching organizational problems. Several of the interviewed managers praised the consultants' energy, which was reflected in a high pace in projects. Consultants worked rapidly, forcing the organization to keep pace and focus on the project. The consultants also provided extra resources to the organization that made it possible to generate information that otherwise would have taken a long time to obtain through official organizational procedures.

Furthermore, consultants had the necessary contacts to get top management involved, which also was crucial for the energy and focus of organizational members in the change process:

> Internal project managers didn't dare to force their own management to take a sufficiently active part in the projects. However, the consultants, with their connections, were capable of getting them involved. (Manager G)

The use of consultants was thus seen as instrumental for increasing the speed and energy level in the client organization during the change process. This was achieved through their high energy level, as well as through their contribution of free and dedicated resources to the change. The consultants also had a methodology and experience for how to design and carry out change processes, which was also seen as contributing to their high pace.

What and How Clients Learn

With a limited number of exceptions, the client organization's learning was not an explicit objective of consulting projects. Consulting projects focused on generating results, that is, solving the client's perceived problem. This process could involve learning, but as a secondary rather than a primary effect of the consulting project.

The respondents' view on learning in management consulting projects can be summarized as accidental rather than planned learning, individual rather than organizational learning, process rather than content knowledge, tacit rather than explicit knowledge, and embedded rather than disembedded knowledge.

Accidental Rather Than Planned Learning

Almost all respondents had seen substantial learning occur in consulting projects, although this had not been an explicit objective:

> We didn't plan for learning in the *XX* case. But there was some learning, not as a result of training courses but as a result of working together with the consultants. (Manager E)

> The teamwork with *XX* Consulting was important. I learned a lot from it. (Manager G)

This learning originated in an extended cooperation between consultant and client and was increased by the consultants' participation in the implementation phase. In one case, the company had made the analysis by itself and started the implementation program. They eventually thought that the speed of change was too slow and they brought in consultants to accelerate the process. A group of 50 consultants worked with the company over the next year and almost every manager had a management consultant as a personal coach. As a result, substantial learning about management and leadership practices in general and the change process in specific took place.

Individual Rather Than Organizational Learning

Much of the learning that takes place in consulting projects concerns the individuals involved. One of the respondents even described consulting projects as her most valuable educational experience:

> I have participated in quite a few expensive management training programs, but an assignment together with a management consultant can teach you at least as much. A lot of time is put into the collection of facts on structuring and analyzing data. This can teach you a lot. The consultants also apply the latest management concepts. (Manager C)

The individual learning, however, was not tapped for the organizational good in any systematic way. While such knowledge may be spread through the organization by individual activities or through interpersonal networks, none of the respondents mentioned any formal efforts to identify and diffuse lessons learned in consulting projects.

Process Rather Than Content Knowledge

In the rare cases in which managers mentioned a conscious knowledge transfer from consultant to client, such learning typically concerned knowledge of the process type. The client's members, for example, were to learn the consultant's methodologies for organizational diagnosis and change, that is, how to approach problems and change processes. As one of our respondents discussed:

> In the beginning [of the strategy project] the consultants should play a rather important role. Thereafter we had plans for how their team would fade out, and our people fade in. During the period our employees should be trained in *XX* Consulting's methodology.... This was a way of creating an internal capacity for managing change. (Manager F)

The purpose of this transfer of the consultants' methodologies was primarily to make it possible for the client organization to take over projects from the consultants, that is, to transfer the responsibility and initiative from the consultants to members of the organization in the implementation phase. A secondary effect that was sought focused on improving the organization's ability to handle similar projects in the future.

In general, however, few explicit efforts to internalize the consultants' content knowledge were found. Rather, the interviewed managers saw the collection of this knowledge as a major task, which the consultants did best:

> Consultants have an advantage in their ability to accumulate and continuously maintain state-of-the-art knowledge in different areas of expertise. They can continuously focus on their competence. This is much more difficult for us in the client organization. (Manager G)

In regard to this type of knowledge, the managers talked about establishing long-term, partnership-like relations with consultants that would guarantee their timely access to this knowledge when they needed it. In this function, the consultants were thus seen as increasingly becoming an integrated part of the client organization.

Tacit Rather Than Explicit Knowledge

In describing their learning in the consulting process, managers mentioned both explicit and tacit knowledge. However, more tacit kinds of

knowledge seemed to be in focus. Methods and tools, representing explicit knowledge, were mentioned only in a small minority of cases. Instead, the client managers highlighted the learning taking place when working together with the consultants and observing them as role models:

> [What are the prerequisites for learning in consulting projects?] It is very much about how long you work together, how well you get to know each other, and which roles you have. (Manager E)
>
> *XX* Consulting is important, because they are role models in the organization with their way of working. (Manager G)

This emphasis on face-to-face interaction as the main locus of learning in management consulting suggests the importance of tacit knowledge as a focus of the client's learning.

Embedded Rather Than Disembedded Knowledge

Throughout the interviews, the importance of the deep involvement of the consultant in the change process was repeatedly emphasized. The consultant is expected to act together with representatives of the client organization, rather than produce solutions in isolation that are to be implemented by the client. This expectation holds both for the content (i.e., the results of the diagnosis and the solution) as well as the process (i.e., the design of the change process) of the consulting engagement.

This reality highlights the need to adapt the consultant's expertise to the specific situation. The consultant's knowledge is not of a "plug-and-play" character that would make it possible to implement without adaptation to the client situation. Rather, a deep knowledge of the client situation is highlighted as an important prerequisite for success. Thus, the knowledge that is involved is generally of an embedded kind, a finding that is not surprising given that a large portion of this knowledge concerns organizational rather than technological issues (Lillrank, 1995).

A Main Success Factor: Staying In Control

Overall, the respondents' views on management consulting and learning suggest some perceived success factors that enable organizational learning. Given that learning was seldom an explicit goal in the consulting projects, however, managers had difficulties differentiating success factors for learning per se from more general success factors for consulting projects. Three success factors, which were variants of the theme of "staying in control," recurred in managers' accounts.

First, when hiring consultants it was seen as critical to have a *clear purpose* with the consulting project:

> There is an absolute truth—if you aren't clear on the purpose of the assignment and have not clearly formulated what you want, you will lack direction and disaster will be certain. (Manager F)

Second, knowing what one wanted also concerned learning in the consulting project. Without a clearly specified purpose and goal of learning, the possibilities for such learning to take place were seen as small. Having hired a consultant, the managers emphasized the need to *lead the process* and *stay involved*. This meant actively and continuously overseeing the progress of the project and to be prepared to take corrective actions when needed:

> In several cases throughout the years, we had to tell the consultants either that their staffing of the project was a problem—it doesn't work, we don't get what we need—or that the focus of the project didn't feel right, that we had to take a renewed discussion about the purpose of the project. You have to stay involved. A consulting assignment where you aren't is meaningless. (Manager F)

The client managers' visible and active involvement was pointed out as important not only in relation to the consultant, but also toward the rest of the organization. Projects should not be associated with consultants, but owned and headed by managers in the organization. Some responses indicated a tendency of managers to delegate organizational change to consultants, a tendency that appears to be fueled by the consultants' energy and drive noted earlier. The managers valued this drive but at the same time had a fear of being left behind and loosing control.

Finally, managers saw the main role of consultants in the early phases of the project where their contribution in diagnosis and goal setting was valued. Their involvement in the implementation process, in contrast, was regarded as unnecessary or even dangerous. Implementation had to be run by managers deeply committed to the change in focus:

> The work in the beginning of a project is of a quite theoretical nature focusing on visions and models. When you proceed with the project, and start involving the people that do the actual work, it becomes very concrete. Here you can't work with consultants any more. By then, the vision has to be internalized by the managers and the people in the work processes. (Manager B)

Phasing out consultants in the implementation phase, however, was noted as being difficult, demanding decisive action from the client. Consultants are often driven by a desire to sell more work and a strong involvement in the

implementation phase opens a promising opportunity. Several of the respondents described their frustration when trying to disengage consultants.

MANAGEMENT CONSULTING FOR CLIENT LEARNING?

Our analysis of client (respondents) perceptions of the use of consultants shows that management consulting is perceived as a highly knowledge-intensive service. Consultants are hired for their existing knowledge and expertise as well as for their ability to create further knowledge. Based on this assessment, three "knowledge contributions" of the consultants can be identified.

First, the consultants' ability to bring in and translate outside knowledge, creating value for the client organization, was highly regarded. Emphasis is placed on the role of consultants as knowledge brokers, which to a large extent is made possible by their wide experience base (cf. Bessant & Rush, 1995; Hargadon, 1998; Sarvary, 1999). By bringing in insights from other organizations, consultants were seen to be important actors in the client companies' knowledge creation processes, especially in relation to reorganization and change processes.

Second, consultants were valued for their ability to generate knowledge from within the organization. Through their neutral and external position, management consultants were attributed an ability to generate objective information by bypassing the different information filters of the organizational power structure (cf. Pfeffer, 1981; Schein, 1988).

Third, the consultants were seen to possess valuable knowledge about how to carry out diagnoses and change processes. Their way of approaching and solving problems was seen as exemplary and something to be learned by the client organization.

In spite of the knowledge intensity of consulting engagements, the clients, however, did not generally view the consulting engagement as an arena for either individual or organizational learning. The possibilities of learning, when mentioned, only concerned the third type of knowledge—knowledge concerning diagnosis and change processes. In general, the acquisition and diffusion of knowledge generated in the consulting process was not an explicit issue for the client.

This dynamic reflects a view in which consultants have become an integral part of the client's knowledge system—the set of internal and external knowledge sources on which the client company draws in running and improving its business (Werr, 1999). At the extreme, organizations are essentially outsourcing the function of keeping track of external trends and interpreting the organizational consequences of these trends to management consultants. As part of this process, critical parts of the function

of generating and storing knowledge from inside the client organization are outsourced to consultants as well. In such instances, the consultants were viewed as having deeper knowledge of the organization than the organization's managers. However, the integration of the consultant's knowledge into the client organization was only seldom considered and actively managed.

The role for management consultants in their client organizations described above does not fit very well with the current categorization of expert and process consulting roles. As our study suggests, consultants are neither the detached experts who solve the client's problem through focused short-term assignments nor are they relationship-oriented process consultants who mainly focus on designing and managing interaction processes in which the client's knowledge and expertise are mobilized. Instead we can observe the emergence of a consulting role in which (1) expert knowledge of *both* the content and process type is in focus, and (2) the consultant's knowledge of and long-term involvement with the client organization are important. The client's own knowledge accumulation and development are in this context largely neglected. However, as indicated above, it nevertheless takes place, indicating that consulting projects might provide untapped potential for organizational learning.

MANAGEMENT CONSULTING: A NEGLECTED LEARNING ARENA

A number of prerequisites for enhancing organizational learning were discussed as part of the theoretical framework of this chapter. A search for these prerequisites in the consulting assignment as described by the managers in this study, however, revealed several shortcomings.

First, openness and trust seemed to be limited. The clients generally were satisfied with their consultants and how they worked. However, all clients had a constant fear that the consultants might take over the process, fulfilling their own interests rather than the client's needs and interests. The consultants' willingness to sell additional assignments was viewed as creating a climate of suspicion on the part of the client (see also Engwall & Eriksson, 1999).

Second, while interaction channels exist both between consultant and client and client and other parts of the organization, they are typically created on an ad hoc basis without explicit considerations regarding knowledge transfer and creation. Relatively few organizational members seem to be involved in direct interaction with the consultant, and they are generally not chosen based on their ability to internalize and leverage knowledge acquired in the consulting process. The interviews revealed tendencies to

delegate the diagnosis to the consultants, in essence depriving the client of a large learning potential created through data collection and analysis in the diagnostic phase.

Third, prior experiences were built upon to some extent. Consultants have long-term relations with clients and often a thorough understanding of their needs, which is seen as an important prerequisite for creating value. There is often a mutual understanding between client and consultant, which benefits learning in the consulting assignment. However, clients expressed a fear of these deep relationships, as these might threaten their control, and some efforts to counteract this were mentioned by the managers.

Fourth, internalization efforts were to a large extent missing in the client organizations. The identification of relevant knowledge, and its spread to other parts of the organization than that directly involved in the consulting project, was mainly based on ad hoc opportunities and individual initiatives. No efforts were made to systematically identify interesting knowledge in the consulting assignment, and no formalized arenas existed for the spread of this knowledge to other parts of the organization.

Finally, motives for the client's learning in the consulting assignment were missing in most of the projects studied. When such motives did exist, the view of the knowledge to be acquired and spread was a relatively narrow one, focusing mainly on what was referred to earlier as process knowledge.

These five factors point to several shortcomings in the client's handling of the learning opportunities generated in consulting assignments, shortcomings that can partly be understood as a result of the managers' somewhat ambiguous perception of the consultant–client relationship.

The Client's Ambiguous View of the Consultant

The client's view of the consultant as reflected in the interviews in this study is ambiguous, especially in terms of the consultant's role and relation to the client organization. The tensions in the client's view reflect outsider versus insider dynamics, client versus consultant initiative, advisor versus implementer roles, and short-term versus long-term relationships.

Outsider versus Insider Dynamics

Clients emphasize the importance of outsider status of the consultant. This status gives consultants a highly valued neutral and external perspective through which they can see new things and generate internal knowledge. However, the consultant is also valued for deep insights into the client organization as well as any connections with the power centers within it. This knowledge is seen as instrumental for being able to create value in the client organization.

Client versus Consultant Initiative

Clients valued the consultants for their energy and initiative in the change process. Their focused leadership of the process was described as a central contribution. However, when talking about success factors in the consultant–client relationship, the common denominator was the client's control over the process. A large perceived risk was that the consultant would proceed too fast, leaving the client behind. Thus, at the same time as the consultants' role as leader and energizer was appreciated, the need for the client to be in control was emphasized.

Advisor versus Implementer Roles

Clients saw the main role of the consultants in the early phases of the consulting assignment, during which the diagnosis was carried out and the boundaries for the solution were laid out. Thereafter, phasing out of the consultant was regarded as a central challenge in the management of the consultant–client relationship. It was also repeatedly emphasized, however, that consultants had to take on more responsibility for the results of their assignments, which meant staying involved throughout the implementation phase. It was also claimed that the potential for learning in the consulting assignment was largest in the implementation phase, as this gave ample opportunities for consultant–client interaction.

Short-Term versus Long-Term Relationship

Clients clearly valued the long-term relationships with their consultants. These relationships ensured more and faster value in the consulting projects, as the consultants knew their clients and had a fuller sense of their needs. However, one of the major issues in the management of the client–consultant relationship was described as the difficulty to get rid of consultants once they entered the organization.

As summarized in Table 1.2, the extreme positions on these four dimensions represent two radically different consulting roles. The first role, labeled the *traditional expert consultant*, to a large extent fits with the view of the expert consultant presented in the consulting literature. Here the consultant is viewed as a neutral outsider, hired to contribute his expertise in solving a delimited problem defined by the client. The second role, labeled *business development partner*, however, is more in line with the characteristics of the permeable organization described above. Here the consultant is seen as a long-term partner of the organization and an integrated part of the client's knowledge system. The consultant is familiar with the organization, taking initiative for improvements and overseeing the process from analysis to implementation in order to ensure that promised results are reached. This latter role has some similarities with the process consulting role in terms of a common focus on knowledge of the client organization,

an understanding of its internal interpersonal and political processes, and a focus on implementation. However, it also shows some marked differences with its strong focus on the consultant's expert status and knowledge and the consultant's driving role in the process. An important credo for the process consultant, in contrast, is to never take over the ownership of the client's problem and to thus remain in a strictly coaching/facilitating role (Murrell, 2000; Schein, 1988).

Table 1.2. Two Coexisting Views of the Consultant

Traditional Expert Consultant	*Business Development Partner*
Neutral, detached outsider	Well connected insider
Controlled by client	Driver, takes initiatives
Analysis support/advisor	Implementation support/coresponsible for results
Contractual short-term relationship	Long-term relationship

Although contradictory in many aspects, the above two roles of consultants are freely mixed in the clients' conceptions of management consultants. It also seems that the expert consultant role represents the client's espoused theory (Argyris & Schön, 1974), as reflected in the stated success factors, and the business development partner role represents the theory-in-use as reflected in the client's perceptions of the consultant's contributions. This discrepancy of views might, as noted above, be an explanation for the limited existence of prerequisites for knowledge transfer.

Given an espoused view of the consultant as an external expert, client learning does not enter the agenda. Rather, the focus is placed on the quick solving of the identified problem. This exchange does not require rich interaction channels, the involvement of a broad range of members of the client organization, nor deep trust or mechanisms for internalization. Such measures might even be regarded as obstructive to the process, as they slow it down. Thus, the underlying tensions and ambiguous view of the consultant's role counteract any systematic development of learning mechanisms between consultants and clients, creating a situation in which the beneficiary is the consultant.

Advantage Consultant

In practice, many management consultants play the role of business development partner rather then expert consultant. This role is, to a large extent, appreciated and accepted by the clients, in spite of the expressed desire to manage the consultant within an expert-consulting framework.

Even if clients seem to strive toward a traditional "contracting" relationship with the consultant, the relationship in practice is much deeper and extended in time than the expert consulting framework would suggest. The consequence of this discrepancy between the client's espoused theory and their theory in use works to the advantage of the consultant.

Acting in a partner-like role gives the consultant access to central knowledge about the client organization. Such client knowledge, generated in consulting projects, fuels the global consulting companies' knowledge management systems and, thus, becomes an important source of their expertise (Kipping & Scheybani, 1994; Sarvary, 1999). However, a risk involved for the client is that knowledge contributing to the competitive advantage of the client may be lost to competitors (Matusik & Hill, 1998), a risk CEOs in large Swedish organizations are well aware of. Six out of seven CEOs in the largest Swedish corporations agreed with the statement "consultants diffuse the ideas of their clients" (Engwall & Eriksson, 1999).

Furthermore, the consultant–client relationship that is implied in the business partner role creates an increasing dependence of the client on the consultant, which, if left unbalanced, creates potential negative effects for the client. The client's outsourcing of the generation, maintenance, and application of knowledge about the organization's environment makes consultants an important and continuous participant in the development work of their clients. This gives consultants an opportunity to build up a thorough understanding of the client organization, which can go beyond that of many individual managers in the client organization. The lack of focus on balancing this development through ensuring client learning in the consulting assignment risks creating a situation where the consultant becomes indispensable. As consultants become increasingly knowledgeable, their role in the client's development work increases, further increasing their knowledge. At the same time, the client, neglecting the learning potential in consulting processes, increasingly loses important knowledge, thus creating a further growing need for consultants (see Kieser, 1998).

This dynamic creates a situation in which the consultants, acting in a role as a business development partner, create a position for themselves in which they become increasingly indispensable for the client. At the same time, the client, trying to manage the consultants according to an expert-consulting framework, misses the opportunity to reduce his or her dependence. Client organizations should thus focus on ensuring that any knowledge created in consulting assignments is taken full advantage of. The underlying client learning and development by the client organization helps to control the organization's dependence on consultants.

Current client–consultant learning interactions thus drive what appears to be an ever-increasing use of consultants. The accumulation of knowledge on the side of the consultant, and the client's inability to take advan-

tage of the learning potential in the consulting assignment, contribute to the felt uncertainty in the client organization and concomitant use of management consultants to effectively reduce this uncertainty (cf. Kieser, 1998; Sturdy, 1997). The underlying ambiguity in the client's view of the consultant–client relationship is also reinforced by consultants. In their rhetoric, consultants constantly mix images of the consultant as detached expert with images of the consultant as an involved and experienced implementer (Berglund & Werr, 2000). This rhetorical move, which creates an almost invincible position of the consultant, builds on the different tensions in the consultant–client relationship and reinforces the inherent ambiguity in this relationship.

CONCLUSIONS

This chapter investigates managers' views on the use of management consultants in general and their contribution to the client's learning in specific. The findings indicate that the clients' espoused theories of their use of consultants to a large extent reflect the traditional view of consultants as detached experts hired in order to solve isolated problems, a view that is represented in much of the consulting literature. Within this framework of consulting, the client's learning in consulting projects is only rarely considered as an objective of the consulting assignment. Practice, as reflected in the client's work with consultants, however, indicates an adaptation of consultant use to the characteristics of today's emerging knowledge society. Management consultants are becoming an increasingly integrated part of their clients' knowledge systems, giving them a role as "business development partner." The role of keeping track of the developments in the organization's environment and interpreting the consequences of these developments for the client organization is to a large extent outsourced to consultants. Consultants are also used as resources for the generation and storage of knowledge originating from inside the client organization.

Yet, even if the client's learning is only rarely explicitly considered in consulting projects, our study indicates that learning still takes place. It generally happens incidentally rather than in a planned way, however, and most often concerns individual rather than organizational learning. The knowledge that is learned can be characterized as tacit, embedded, and regarding the process rather than the content of the consulting assignment. Repeated and intense interaction between consultant and client are described as the main vehicle for the client's learning.

In spite of the potential for client learning as well as the consultant's increasingly integrated role in his or her client's knowledge system, many managers still appear to treat consulting assignments according to the tradi-

tional view of the consultant as a detached expert. This tendency creates a potentially dangerous situation for clients, in which they increasingly lose knowledge to the consultants, thus making them increasingly indispensable, creating a permanent dependence of the client on consulting services.

These observations add to our understanding of management consulting by illuminating the complexity of the consultant–client relationship and the consequences of this complexity for client learning. Recent research has indicated a need to empirically study the client's perspective on the consultant–client relationship in order to balance a picture of the client as helpless victim (Fincham, 1999; Sturdy, 1997). The study reported in this chapter indicates that the client is quite aware of the need to balance the power of consultants in order to reduce dependence. The very acts taken to counteract this dependence, however, might actually increase it, as the acts are taken from an incomplete conception of the consultant's emerging role. By striving toward a more formal and distanced control of the consultant, the client's learning opportunities, which could balance the consultant's superior position, are reduced, as this introduces skepticism and distance between the consultant and the client. An outcome is a concomitant barrier to learning in the consulting assignment.

Consequently, this study proposes that clients, rather than striving for a tighter control of their management consultants' actions, should focus on managing their own learning in the consulting process. Managing the consultant–client relationship from such a perspective could focus on the creation of opportunities and arenas for learning in the consulting project as well as the establishment of mechanisms that would leverage this (mostly individual) learning for the use of the entire organization.

This view is partly congruent with the role of management consulting according to a process consulting view. However, we also acknowledge the economies of scale in some kinds of knowledge production (e.g., on industry trends, functional best practices) that have legitimized and fueled the rapid growth of global management consulting organizations. These organizations to a large extent sell expert knowledge to their clients (Bäcklund & Werr, 2001; Sarvary, 1999). For this expert knowledge to become meaningful to the client organization, however, it has to go through a process of translation (Czarniawska & Sevon, 1996) in which the meaning and consequences of the knowledge for the specific client organization is established. In this process, the consultant is neither expert nor a mere process facilitator, but a co-learner working side by side with the client. The precise characteristics of this emerging consulting role remain to be established in future research.

NOTE

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CHAPTER 2

KNOWLEDGE MANAGEMENT IN ACTION

A Study of Knowledge Management in Management Consultancies[1]

Nicoline Jacoby Petersen and Flemming Poulfelt

This chapter is a result of a research project on the production and application of management knowledge in the Danish management consulting industry. Knowledge management is becoming an increasingly important topic in management philosophy and as a management tool, as reflected in the growing number of articles and books on the issue. The article database Proquest,[2] for example, contained 45 articles about knowledge management in 1995. By the beginning of 2002, the number had increased to approximately 2000. In 1997, two new journals—the *Journal of Knowledge Management* and *Knowledge and Process Management*—were introduced, and in 2000, the *Journal of Intellectual Capital* emerged. During this same period the number of organizations venturing into the knowledge management arena has grown as well. While some industries have been highly proactive in this area—particularly consulting, information technology, and related advisory-based industries where knowledge is the key resource—knowledge management initiatives are becoming increasingly prominent throughout the corporate landscape.

While the knowledge management literature offers some useful insights, many issues (e.g., what is the actual value of implementing knowl-

edge management activities?) remain unclear. In an attempt to begin to fill this void, our research focused on three concerns: (1) the various strategies companies pursue in the knowledge management area, (2) what effect(s) these strategies have on the firms and their members when they are implemented, and (3) the underlying reasons (in terms of explanations rather than causal factors per se) that could clarify some of the dynamics and mechanisms involved in this developing field. In the beginning, knowledge management was all about technology and the new possibilities that company Intranets, email systems, and databases could provide. Today, the view of knowledge management has shifted toward broader social and cultural factors, with technology now seen as an enabling factor. Why has this shift occurred? What differences can be found among employees who have been exposed to a technological approach alone and those who have experienced broader exposure to knowledge management practices?

One aspect of knowledge management that has been well accounted for is the concept of knowledge itself. It has been outlined in a number of different ways, from the classical philosophical perspective as "justified true belief" to a more pragmatic view as "for action" (Christenen, 2001; Davenport & Prusak, 1998). At the same time, knowledge has become an umbrella for many different words—including data, information, wisdom, codified, personal, proprietary, common, organizational, diffused, migratory, embedded, embodied, encultured, embrained, tacit, explicit, sticky, and so forth (cf. Badaracco, 1991; Blackler, 1995; Boisot, 1996; Nonaka & Takeuchi, 1995; Polanyi, 1958; Saint-Onge, 1996; von Hippel, 1990). Is it just as easy to find several definitions of knowledge sharing in the knowledge management literature? The quick answer is "no."

Knowledge management is about developing, sharing, and applying knowledge within an organization to gain and sustain competitive advantage. The concept of knowledge sharing, however, has not been well defined. The ambiguity in the concept, for instance, is reflected in some of the major anthologies about knowledge management published in recent years, from Cortada and Wood's *Knowledge Management Yearbook 2000–2001* (2001), to Little, Quintas and Ray's *Managing Knowledge* (2002), to Dierkes, Berthoin, Child and Nonaka's *Handbook of Organizational Learning and Knowledge* (2001). These volumes do not contain any articles dealing specifically with knowledge sharing, knowledge transfer, knowledge distribution, knowledge diffusion, and the like—and there are few references in the subject index. Even considering the exponential explosion of knowledge management-related articles in Proquest since 1995, less than 5 percent are linked to the keyword "knowledge sharing."

This apparent void does not mean that knowledge sharing as such is completely absent. A dichotomy between technology and human beings, electronic distribution and human interaction, and IT and HR is often

embedded (see, e.g., Davenport & Prusak, 1998; Hansen, Nohria & Tierney, 1999). These ongoing discussions deal with the question of what kind of knowledge processes we should focus on and where in the organization the knowledge project should be rooted.

The main tensions surrounding the technological aspects of knowledge management focus on the issue of tacit knowledge and how to capture it in knowledge management systems, as well as the challenge of motivating employees to contribute to these systems. Quality control and updating are issues often raised. Globalization, in contrast, often emphasizes the human dimension, especially in terms of lags in time and space, and the challenges involved in creating a culture of knowledge sharing as opposed to one of knowledge hoarding.

The purpose of this chapter is to create a more profound understanding of what constitutes knowledge sharing in practice, focusing on two key questions:

- What is actually meant by knowledge sharing?
- What organizational and managerial aspects affect knowledge sharing and how?

The analysis is mainly empirically oriented, examining the empirical data primarily from a "common sense" perspective (Kvale, 1997) and drawing on various theoretical elements in the knowledge management field. Nine issues are identified as important elements in the knowledge sharing processes in the sample firms. These issues will be highlighted and used to develop a knowledge sharing typology. This framework suggests that the concept of knowledge sharing includes six dimensions: knowledge storing, knowledge distribution, knowledge exposure, knowledge transfer, knowledge exchange, and knowledge collectivism.

THE RESEARCH

The empirical part of the study provided data from a variety of consultancies. Seven management consulting firms participated, including major international consultancies and medium-sized, Danish-based management consulting firms. Furthermore, information (mainly interview transcriptions) from an additional three management consulting firms and two consulting engineering firms is included as a secondary source.[3] These data are a relevant supplement to our primary data source, and they provide an interesting comparative perspective, as both engineers and management consultants have similar types of businesses within the consulting industry. Both kinds of firms are knowledge firms in the sense that they primarily make their living from vending knowledge. As such, knowledge manage-

ment is vital for these firms and, as we will see, both engineering and management consulting firms experience a number of common problems in this area.

The number of contacts and type of data generated in each of the companies in our sample varied according to the amount of access we were given, the extent of their willingness to participate in the research, and the time they allocated to us. Furthermore, the contacts were on different levels in the organizations; we have talked with top management, employees, and organizational members who specifically worked with knowledge management, either internally or externally in connection with client projects. In each organization, we attempted to interview people at all levels in each company to get an idea of the contrast between the firms' visions (top management) and the actual performance (the employees) of the organization.

The data are based on semi-structured, tape-recorded interviews and comprehensive notes taken at company meetings. The study also employed an experimental methodology in three of the firms, organizational photography. In these three firms, the researcher walked around in the organization for a day, taking approximately 100 photos. A selection of the photos was then arranged in six to seven series of four pictures. A group of employees (approximately four in each focus group) were shown the photos, and asked to discuss aspects of knowledge sharing in their company that were associated with the photo series. The focus group was exposed to a new series of pictures every 12 minutes, and the researcher remained silent during the $1\frac{1}{2}$-hour session. The discussion was tape-recorded and transcribed like normal interviews.

The idea underlying this approach to data gathering is to get another view of what constitutes knowledge sharing in a particular organization. When using semantic questions (like in face-to-face interviews) instead of visual ones (like the photos), the answers are more likely to fall within the framework of the researcher. By using photos rather than asking questions to prompt people to talk about themselves and their everyday working life, the researcher may receive unanticipated responses—even answers to questions the researcher might not have thought of asking.[4] Using photos, the discussion opens a number of new avenues with respect to the understanding of knowledge sharing in practice.

Table 2.1 summarizes the different types of information that were gathered in the study. In addition to the interviews, meetings, and focus groups, the study also drew on publicly accessible material about the firms (e.g., their websites, financial data, and various publications published by some of the firms on their knowledge management practices).

Table 2.1. Research Overview

	Interviews	*Meetings*	*Focus Groups*	*Secondary Materials*
Management		3		6
Employees	5		3	18
Knowledge management employees	3	1		4
Total	8	4	3 (15)	28

TO HAVE A KNOWLEDGE STRATEGY—OR NOT

The research shows that large management consulting firms have invested heavily in technological knowledge systems, attempting to bring proximity into the global firm, which operates across time and space. There are, however, less well-considered concerns regarding informal knowledge sharing, an issue that several of the consultants in our study noted as a problem. While small management consulting firms may be in a better position to share knowledge informally by virtue of their size, they often operate with a minimum of technology for handling knowledge that in many cases is inadequate. The employees keep their material in private binders, and the consultants increasingly see this lack of common structure as a source of annoyance. Kent Greenes (cited in Andresen & Jakobsen, 1999) points to the fact that small firms are not focusing on knowledge management to the same extent as larger firms because of the belief that "everybody talks with each other." This assumption is, in many cases, erroneous and thus becomes a barrier to directing appropriate focus on knowledge management.

Although some of the participating management consulting firms in our sample did have an explicit knowledge strategy, others did not. This observation does not necessarily imply that those firms with a formulated strategy are more focused on knowledge sharing and knowledge development, and that those without such a strategy have not reflected on the subject nor implemented initiatives to encourage knowledge sharing. Many firms have activities the primary objectives of which are not necessarily knowledge sharing, but in practice have this "side effect." The opposite may also be the case in firms with an explicit strategy—the strategy is (empty) words that are not transformed into action. And finally, there are firms with a knowledge strategy that try to "walk the talk."

Studies show (e.g., Foote, Matson & Rudd, 2001; Storey & Barnett, 2000) that knowledge management projects often fail because of a lack of a knowledge strategy, a weak relation to the business strategy of the company, and/or a weak anchor and link to the rest of the organization. Other studies show that knowledge management works better in firms with an

explicit knowledge strategy, appropriately supported by structure, culture, technology, and management (see Apostolou & Mentzas, 1999; Hauschild, Licht & Stein, 2001; Kluge, Stein & Licht, 2001).

These findings correspond well with our observations. As one of our respondents explained:

> Our business is divided into four mega processes: sales, service, people, and knowledge. These four mega-processes saturate the entire organization and a number of employee forums have been established. For example, I am a member of the service forum, where we concentrate on the services that we supply. What are our methodological tools, how can we improve and refine them, what is missing today? We then put our ideas into action and communicate them to other areas of the organization if the given issue lies outside our domain.... I have the chance of getting to know a lot of things and become aware of the fact that the organization is working professionally on our training. Management is aware of our wish to improve our performance. We want to be better at doing what we are doing, and how can we do that? I find this is a big step. We are allowed to participate, to influence, to discuss how to become better, and how we can approach it, how we can affect routines in the organization, and what else is needed. I like that.

This quote illustrates, among other things, that in organizations where knowledge management is a basic part of other business processes and daily practice, employees are more likely to understand the relation between knowledge management initiatives and the company mission.

While this point may seem obvious, not everyone necessarily shares this holistic perspective. The research shows that knowledge management is not likely to succeed when sporadic initiatives within the knowledge field are launched without being integrated into the organization. As an example, the majority of companies today have an Intranet, and the most frequently used argument for having one is that it enables knowledge sharing across organizational units. However, despite the growing existence of company Intranets, the problem most frequently mentioned when discussing knowledge sharing with employees is that they do not know what colleagues in other departments are working on. In other words, technological initiatives like company Intranets and shared databases themselves are insufficient tools for furthering knowledge sharing.

The larger international management consulting firms appear to rely on a "rule-governed" type of culture, where the parent organization abroad (typically based in the United States) often dictates global company policies. Several employees working in international consultancies, for example, express the attitude of "that's just the way it is." They know that they have to comply with firm-based rules to make it all work, and accept that even small changes take a lot of time. This situation is not the case in

smaller companies, as illustrated by the comments by a human resource manager in a medium-sized consulting firm:

> The consultants hate centralism. It is difficult to make them report anything. They do not do it, and they do not care to. Here knowledge sharing grows out of local initiatives. There is no general strategy. Knowledge sharing is random.

In small management consulting firms, the consultants, to a large extent, work independently, that is, each consultant develops, sells and delivers his or her own assignments. This reality, of course, is partly due to the fact that smaller consulting firms have smaller assignments that do not require a formal division of labor. In effect, such firms often develop into units of "one-man firms" in which everybody can do as they please—as long as they sell and deliver.

The Relevance of Project Organizations

In the absence of formal knowledge management policies, organizational structure can be an influential determinant of knowledge sharing. One of our respondents, for example, noted that:

> The more people a job requires, the more knowledge the project organization accumulates—assuming that new teams are established now and then. For financial reasons, small jobs are one-man jobs, making it more difficult to disseminate knowledge.

This quote is interesting in relation to the role that a project organization structure plays in knowledge sharing. Our study shows that project organizations (or adhocracy, in Mintzberg's [1983] terminology) have a positive effect as a vehicle for knowledge sharing in several ways.

Ever since Foucault concluded "it is not possible for power to be exercised without knowledge. It is impossible for knowledge not to engender power" (cited in Allee, 1997), knowledge and power have been intertwined. However, the very aspect of power is surprisingly absent in our empirical data. This observation appears to reflect the project organization structure that is practiced in the majority of management consulting firms.

> I have never seen it as a problem that you don't share knowledge because you simply have to do it....You cannot survive in [the firm] if you don't share your knowledge, you can't just sit in your office and say, "This is my small world, or my confined domain."

The project organization, in which everyone in the project group is dependent on the work of each other and where success is measured by the quality of the joint efforts, makes it difficult to survive unless you cooperate and share knowledge with colleagues.

When advocating the usefulness of knowledge management, a rationale often heard is that when a competent or key employee leaves, the firm loses vital knowledge—and, in the worst-case scenario, part of its competitiveness (see, e.g., Hildreth, Kimble & Wright, 2000). With the growing mobility in the labor market, companies should give substantial attention to this problem, focusing on improving the conditions for knowledge sharing within the company. The dogma that knowledge sharing is a good idea due to the increasing mobility on the labor market, however, is apparently not of immediate importance to the management consulting business due to its project orientation. A consultant in one of the firms in our sample explains it as follows:

> You seldom work alone on a project, so even though Robert is no longer here, Michael is, and the two of them worked together. So if I can remember that they've worked on something that is relevant to me, Michael ensures that the information is available.

Another employee pointed out:

> One way or the other I do not think that we lose much knowledge. We do lose some competent people, but I do not really think that they take a lot of knowledge with them when they leave. The knowledge remains in-house—somewhere—and it keeps accumulating. Even the tacit part of it will in most cases be shared, because you have been working [on a project] together. Only a few of those leaving the firm take critical knowledge with them.

This quote raises an interesting question: Are management consulting firms less dependent on unique competencies compared to engineering firms, where a company might win an assignment based on the expertise of one of its members (e.g., expertise in underwater asphalting)? One consultant noted:

> Our concepts are very overlapping. It's the way we work; 90 to 95 percent [of what we do is based on] general knowledge and only a small part is specific. This means that what disappears [when an employee leaves the firm] may be an expertise, but the joined insights remain. So the ultimate quantity of knowledge is really quite large, larger than you would think.

These quotes suggest that the management consulting business might not require as specific qualifications as other kinds of professional services businesses, as might be found in the highly specialized requirements of engi-

neer or lawyer consultants. In effect, the loss of any one consultant is not perceived as a loss of knowledge. A high degree of turnover, of course, poses a problem in relation to knowledge sharing (as well as many other problems). The period of introducing and socializing new employees can also be time consuming and expensive, and clients may decide to follow a particular consultant who has left the firm instead of staying with the company.

The problem of mobility appears to be more critical higher up in the hierarchy, where the consultant more often works alone. One management consulting firm experienced this when a key employee was given new assignments in the firm and no one could replace him. As they lamented, "We now know that every king needs a successor."

The Role of Office Space

The consulting firms in the study are organized very differently—from an office landscape to the farmhouse idyll associated with small one-man offices. There are extremely many—and different—opinions on the various models, but it is quite evident that the physical frames of the organization *do* influence knowledge sharing. Physical space and layout influence the way in which employees move around in the organization and thus whom they interact with during the day.

Several firms were quite aware of this relationship and have chosen to create an open office plan with flexible workstations. As illustrated by the following, several statements indicated this structural approach to knowledge sharing was a good idea:

> You often hear something accidentally when you sit in the open office and then you think, "I've done that before, let me give them some input." You're not going to catch those situations if you sit isolated in your office. In fact, I think quite often that people from quite unexpected positions are able to offer input.

Other statements, however, point in different directions. The following example is from a focus group discussion:

- [In an open office] knowledge sharing can actually become an obstacle as you may be confronted with it all the time. You can meet a hundred people all the time. You are on your way to the lavatory, there are four people at the café table, and you haven't seen some of them for a while. What has happened since we last met, what are you doing, etc.? You can spend your entire day knowledge sharing, if that's what you want.

- I fully agree. I can tell you of a funny example from yesterday. I stopped by one of my colleagues, and he said: "Hey, see what I am working on now." I spot some interesting problems—and I can't let it be because I'm curious—and I share my thoughts with him and propose that he forward that mail to me so I can look it over. But what the hell—I don't have the time for it!
- And suddenly you've spent $1\frac{1}{2}$ hours on a colleague and you don't get home before 8:00 that evening.
- It takes a lot of discipline.

As this dialogue suggests, although open office arrangements facilitate interaction and the resulting knowledge sharing that comes from person-to-person contact, it can become an all-encompassing, time-consuming task. As a result, people can feel that it disrupts rather than facilitates accomplishing their tasks and objectives.

Several employees noted that when working in an open office environment they always choose to occupy the same desks, and an informal way of organizing begins to emerge. In addition, there is the problem of noise and questions of inefficiency. In this context, Moberg's (1997) study of efficiency in open workplaces is interesting because it demonstrated that even though the employees felt that their efficiency decreased, their overall productivity actually increased. Many people, however, feel that their creativity is restricted in open workspaces because of the high degree of consideration that needs to be demonstrated—and some of the respondents even talked about the atmosphere of a "burial chamber." In fact, many of these individuals reported staying at home if they needed to concentrate on a specific task, which might prove to be counterproductive in a culture where consultants already spend much of their time off-site with clients, thus leaving less time to interact with colleagues and be a part of the organization.

The dynamics associated with such (physical) unavailability might explain why so many consultants are enthusiastic about the idea of a project room, that is, a room allocated to the entire project group as its "workplace" at the start of a new project. Respondents reported that they liked to take over a "completely naked" room with white walls, allowing the project group to "build their own world" with decorations, posters and pictures on the walls. One consultant said that, in the consulting business, employees do not function as a community working toward common goals, such as in traditional production companies where the common goal is to produce certain products. Such traditional, common goals constitute an "organizational kit," which is absent in the management consulting firm, where the product mainly consists of individual services. Furthermore, with frequent physical absence it becomes difficult to create the feeling of a

community, which is important to knowledge sharing. Project rooms seem to be a way of creating a feeling of "belonging."

Several respondents raised the question of whether it would be better to have a desk close to colleagues from the same department or to be physically closer to colleagues from other departments as a way of enhancing knowledge sharing. While being together with close colleagues provides one with security and ready access to create a community of practice, such proximity emphasizes the functional division of labor and confines the way in which individual consultants work together, possibly limiting the variety of methods used. One of the consultants in the study commented on the advantages of interdisciplinary workplaces:

> We are four different departments and the mixing of departments is evidently advantageous. You talk and somebody listens—"Is that really what you are doing? We can help you out on that and that." Such situations generate more knowledge sharing. If you are working in the same field professionally, you often use the same databases, identical material, and so forth. For example, I talked to Peter, and in his department they had some super material that I had never seen before. I discovered this by pure accident—just because we were sharing office space—and they heard what we were doing, "Oh, that is what you are working with, we actually have something here...."

Finally, it should be noted that most management consulting firms are not very good at using office space to show who they are, telling others about themselves and their products. There is an incredible amount of (trivial) art on the walls instead of plates, pictures, and other symbols that could communicate knowledge within and about the firm. Corridors are obvious places to communicate such knowledge, as the following quote illustrates:

> In connection with [a project], I had a large colored poster on our door and a lot of our colleagues knocked on the door asking what it meant—"What is it you have here? It sure looks interesting. Can we help, or would you tell us about it?" The effect it had...

Manufacturing companies always have showcases or exhibitions of products in public arenas, but in knowledge companies, where the production is more intangible, this dimension is often neglected. This is unfortunate as material objects do play a part in shaping the corporate identity—employees become aware of what goes on in the other departments and it is good public relations, providing greater visibility when clients visit the firm.

The Quest for Time

It is well known that consultants are busy people. Time is—to draw on a rather stale cliché—"money." Consultants sell their knowledge by the hour, attempting to invoice as much time as possible to the client to enhance (human) resource utilization. Hours that cannot be invoiced to the client are regarded as costs—despite the fact that in the long run they might represent an investment of high return if, for example, the time is spent on research and development or an extension of skills and capabilities. Utilization is—in the words of one of our respondents—"the underlying value controlling all behavior." This perspective is not hard to understand when the consultant's bonus and promotions to a high degree depend on his or her utility value. As knowledge development and knowledge sharing activities are, to a large degree, regarded as internal activities (there are, of course, many examples of clients paying indirectly for this activity) striving for such utility becomes a fundamental barrier to efficient knowledge sharing.

It is surprising that only one management consulting firm expressed a specific attempt to resolve this problem:

> One thing I wanted to abolish was the utilization rate, that is, the foundation for our performance management system. Today everything [billable and nonbillable hours] has become productive time.... It is the day-to-day things, the fundamental techniques that create the employees you have. That is my starting point. It is the way in which you have to make your weekly reporting, account for your time, invoice your time, and how you refer to what is important.

Moving away from such time-oriented regimentation does not necessarily imply making out-of-house activities invisible, but instead might mean that consultants would not have to assess all activities in relation to billable hours. When asked how their firm handles the time problem, most of the consultants in our study merely sighed. However, one of these individuals, who had just started working in the firm quoted above (that had just introduced a system of measuring time in terms of productive hours), stressed:

> I don't have to hide time spent on service forum activities under administration or some kind of desk research. It is simply called service forum. So, it is visible in the system and accepted that we spend time on this forum. I think that it is an example of how well the company has resolved the problem of spending time on nonbillable activities.

Knowledge sharing can easily be neglected in everyday practice—even though knowledge management may have been noted as a focus area in

company mission statements—if the infrastructure of the company does not support it. It requires a shift in attitude among employees to integrate knowledge sharing in all aspects of job performance, and this shift can only be facilitated and achieved if the way in which daily practice is valued, measured, and talked about changes as well.

Another problem that the consultants pointed to in relation to time is the question of tailoring or recycling services. The ability to offer customized services is a strong value in the management consultant business, as reflected in almost all of the management consulting firms' public relations material:

- Services are tailored to meet specific and individual needs
- [We focus] on the specific preconditions and characteristics of your company in order to create and utilize new opportunities.

The desired image is that the services offered are not prepackaged, off-the-shelf responses. Solutions and services are always tailored to match *the needs of the client.* Thus, the underlying assumption is that selling standardized consulting services does not have the same attraction as customized services. Clients must believe that they are unique, but this also signals to the consultants that they have to "start from scratch" in each engagement.

This orientation creates a paradox with respect to knowledge management. The purpose of knowledge sharing in management consulting firms is to recycle as much knowledge as possible (by storing concepts and tools that are accessible to everybody), in essence making it unnecessary to "start from scratch" every time. The reality is that most management consulting firms are selling standardized services adapted to meet the requirements of the individual client—meaning that the term "customized" should be taken "with a grain of salt."

It is difficult for the consultant to make the two ends meet—meeting the client's expectation for a unique product while turning a standard product into a customized service. The consultant is caught in a dilemma. He or she wants to furnish the client with a tailor-made solution, making the client more than satisfied (one of the consultants' biggest fears is that their solution does not make a difference, and that the client company just continues on as if nothing happened). At the same time, due to the emphasis on billable hours (time registration), the consultant is forced to recycle solutions.

On top of this dynamic, it is important to bear in mind that knowledge workers prefer professional challenges and the ability to influence their day-to-day work activities. Thus, they are tempted to create unique solutions, even though a database may offer recipes that have already been served by colleagues, ready to be recycled. An HR manager of an engineering firm claimed that the company's engineers often delivered more than

they were asked—and paid—to do. This was due to the fact that the engineers often turned (routine) assignments, where old solutions could be applied, into a greater challenge, where new knowledge could be developed. This urge for professional challenges seems to be a common trait for knowledge workers in particular, and is often neglected by management.

The Problem of Decontextualization in Electronic Databases

The assumption has gradually gained ground that knowledge stored as text in a database is not necessarily the same when it is retrieved by someone else, simply because we perceive, understand, and interpret information differently. When sharing knowledge stored electronically, the best-case scenario is that different perceptions of the same information result in new and innovative knowledge. The worst-case scenario is that the information is misinterpreted, leading to genuine mistakes. One consulting firm, for example, reported that assessment tools stored on their Intranet were downloaded and used by someone from another department who did not have the authority or the necessary prerequisites for using them. The outcome could have been disastrous, but was not in this case.

The empirical data in our study questions the *usability* of stored knowledge. There are many indications of the dubious value of explicit knowledge (in terms of textual depiction), as reflected in the following statements made by respondents in different management consulting firms:

> It is my experience that writing down our ideas is minimally helpful—I can consult the system, but I do not learn anything from the model I see. I learn from what somebody explains to me about the model or the tool. Then I suddenly understand... just look at the one [model] I got from [department]. If I had just looked at it, my response would have been, "Oh, well." But when I looked at it together with someone who briefly commented on it, I realized, "Wow, this is brilliant!"

> What other people have done seems alien to you. But you can use the information stored in the database for inspiration.

> Even though, as a project manager, you run into a lot of problems that interest many colleagues—if you had to summarize your experience in one page I don't know whether the account would be too fuzzy for anybody to make sense of it. I really don't know.

Management consulting firms are well known for their excellence in orienting new employees to the company, during which they are presented with company values and "the way we think here." Thus consulting firms

attempt to create a common language, to the point where employees feel there is "a common understanding of what things represent here," presumably minimizing the risk of misinterpretation and error. However, as the above quotations reflect, colleagues are not necessarily able to exploit the knowledge of others just because it is written down. Within knowledge management, the latent assumption has been that as long as knowledge is made explicit and available, everything is all right. It gives people access to knowledge, which they are able to employ as it is. Yet, as the quotes suggest, this is not always the case. If knowledge is to be understood as information applicable by others, the level of detail must be extremely high—and even then one cannot be sure that the textual information will answer all the reader's questions, especially to the point where he or she will be able to effectively *act* on that knowledge. Unfortunately, as the required detail level of the text increases, it is often perceived as taking up too much time to produce, raising the question of utility value.

Communication personnel operate with a three-tier structure in relation to the effects of good communication when planning a campaign (Sepstrup, 1999). First, you change people's knowledge by telling them something they did not know in advance. Since they may not necessarily agree, effective communication is also about making people change their attitude(s)—preferably on the basis of the new knowledge they have been given. A changed attitude is, however, still not sufficient for communication to succeed—the recipient must also change behavior, which can be very difficult to achieve. Similarly, there are a number of steps that the employee (being a recipient) must go through in order to be able to successfully use stored documents in a database: Does the recipient understand the message? Does the recipient agree? Would the recipient prefer to use the knowledge rather than inventing his/her own?

The problem most frequently cited within knowledge management is the challenge of turning tacit knowledge into explicit knowledge—and the solution so far has been documentation, documentation, documentation. The question remains as to whether this "solution" is the right way of approaching the problem. The case of Shell is an excellent illustration of the decontextualization issue.[5] During the mid-1990s, Shell decided to create a database, a skill pool based on their document archives of past assignments and problem solutions. Several years and a million dollars later, the company found that no one made use of the system. Whenever employees had a problem, they turned to colleagues instead of the database. Shell discovered that the employees wanted *contextual answers*, that is, answers that corresponded with the specific problems they were experiencing. Drawing on this insight, Shell developed 11 mega-communities of practice across the world. Whenever employees have problems, they pose their questions online within their community, and, in general, receive an answer from a

colleague within three hours, and usually three to four answers from different colleagues are submitted to each question. The answers are personal ("I had a similar problem, see the attached file but notice on page 15 that...") and hence are viewed as more contextual in nature.

Our study also shows that people typically find that the most valuable knowledge sharing takes place while talking to colleagues:

> Really, the most important source and perhaps the biggest source of inspiration is actually person-to-person communication, which is the most important means of knowledge sharing. Nothing can replace it—neither systems, post-its, or slogans....

As this brief quote suggests, knowledge sharing is an activity that *requires dialogue*, at least before you can start acting upon the knowledge acquired (see also Apostolou & Mentzas, 1999; Davenport & Prusak, 1998). Several of the respondents talked about knowledge sharing as being most valuable *when meeting a colleague and talking together about a specific problem or assignment*. When knowledge sharing is linked to a purpose, the necessity is embedded in the present situation:

> [Knowledge sharing] is indeed linked to special people and tied to certain situations in which you jointly must prepare some kind of client proposal.... It actually takes some time to talk each other into a level of knowledge sharing that works, and it does take the equal amount of time to establish a situation in which you can be mutually creative and stimulating. It isn't just there, it is something that has to be built up nicely and quietly.... I don't do it with just anybody.

As another respondent emphasized, dialogue is one of the most informative types of communication, as it includes all senses:

> Being [physically] together when sharing knowledge you capture more aspects, as your questions can be clarified immediately. You can see the look on their face and how they act when telling their stories.

Communication Modes and Knowledge Sharing

Figure 2.1 illustrates different means of communication ranked by degree of dialogue—and thus of active knowledge sharing. At the bottom of the figure, the degree of dialogue is low. There is not much dialogue in stored documents or information passed on as one-way communication. Although text-based, the Intranet is more contextual than documents in databases, as hyperlinks can help set a piece of information into a larger context. Mail can be viewed as a kind of dialogue, although "delayed," as

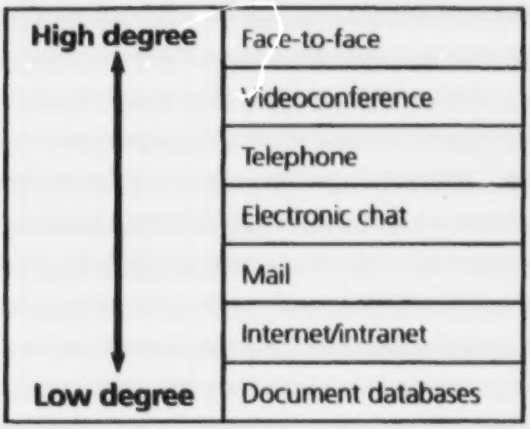

Figure 2.1. Different means of communication, ranked by degree of interpersonal dialogue.

the recipient does not always answer immediately. When mail is used as a means of mass communication, the personal dialogue is not inherent, but still possible since the recipient always has the opportunity to reply. Electronic chat is written dialogue; it is oral language made textual, the exchange is immediate, and different emoticons (signs) help communicate the sender's feelings and body language/facial expressions—such as various "smileys" (e.g., :-) signaling happiness or :-(indicating displeasure) and predefined expressions (e.g., *ROFL*, which is short for *rolling on floor laughing*) shared by peers in the virtual community.

The videoconference is the only electronically mediated communication form that includes "physical" interaction, and, therefore, has great potential—especially as bandwidth becomes standard. Dave Snowden proposes that we should manage what we say instead of what we write—as a way of sharing context instead of simply focusing on content.[6] Videoconferences and video clips on the Internet and company Intranets will certainly help achieve this goal.

If dialogue is defined by the spoken word, face-to-face interaction is the means of communication where the sharing of complex knowledge is most valuable. This does not mean that databases and corporate Intranets are useless knowledge management tools. The point is that different modes of communication are suitable for different types of knowledge sharing.

The Importance of Trust

The concept of trust is fundamental to successful knowledge sharing—and is perhaps therefore often neglected or presupposed in knowledge

activities. As illustrated by the comments of one of the respondents, the study shows that trust is a key concept in relation to several aspects of knowledge sharing:

> Being among people that you like also facilitates the wish to show vulnerability—that there is something that you don't know and you are not afraid of showing it if you trust the people you are with. And you are not afraid of giving feedback even though it is harsh. So it does create a different environment.

It can be vulnerable to show your ignorance—and, perhaps, especially in a culture where the vending of knowledge is the core business. Therefore, knowledge employees tend not to like exhibiting their ignorance by seeking advice or asking what might be perceived as "silly questions." It also requires trust to critically evaluate the knowledge forwarded by colleagues, which is important in order to prevent a culture of "back scratchers" from emerging. Unless sufficient trust is embedded in the organization, these realities may subsequently lead to substandard results.

In addition to such explicit issues surrounding trust, many employees are humble about their competencies and performance. Such self-criticism was widespread in our study,[7] creating a definite barrier to knowledge sharing:

> And several times I have realized that the things I've been working on—if I had to do them again I would do it differently. I can see it already—next time I will do it differently. And then I don't feel like uploading the deliverables from that assignment.

In essence, there is reluctance to share project insights if there is any self-doubt that the assignment does not reflect what the consultant feels he or she is capable of accomplishing.

In a time with access to more information than ever before—many large companies operate with more than a thousand different databases—the interviews seem to reflect a sense of powerlessness. As one of the respondents noted:

> It is also a matter of how humble you are about what you have produced—of whether you think that your way of approaching the task is completely novel compared to what is already stored everywhere.

Other studies also show that self-criticism, postrationalizations, and a "who-do-you-think-you-are" attitude reduce the personal communication of knowledge (Henriksen, 2001).

Finally, it requires trust to (re)use other people's knowledge—especially when stored in a database. As mentioned earlier, making use of existing knowledge presupposes that you understand and agree with the material

presented. This willingness often requires professional respect for and trust in the person who produced it. As reflected by the comments of a consultant in the study, it also requires trust in the system—is the knowledge in question updated or is there a better piece of information elsewhere?

> Really, my experience with [the joint files] is that you have to ask questions anyway. If it is an issue with which you are not totally familiar, you have to ask anyway: Is this the last version and where precisely can I find something about this and this?

Trust is created through social activities:

> Being together is very important to...well to professionalism—to be able to give proper feedback. And to be able to ask in the right way about the right things.

Reflecting on why such interpersonal interaction is so important, another consultant explained:

> I profit more from knowledge sharing with people who I know well, that is, people that I have talked with. We do not necessarily have to be personal friends; it just has to be that for some time we have had contact with each other, there is some kind of socializing and language creation in it. So, you've got to get to know each other, and begin to understand the other person's words. Then things start rolling.

Because knowledge sharing, to a large extent, involves creating social relations and informal talks between colleagues, coffee breaks and corridor chats should be viewed positively rather than as situations to avoid. Whether social activities take place during formal settings, such as workshops and seminars, or informal settings, such as lunch breaks and other social gatherings, the study shows that the social life of the organization is a strategic element with respect to knowledge sharing.

Incentive Systems: Beyond Financial Rewards and Promotions

The knowledge management literature often emphasizes that incentives are decisive for successful knowledge management projects (cf. Davenport, De Long & Beer, 1998; Hanley, 1999; McDermott & O'Dell, 2001). Employees need incentives to be motivated to contribute their knowledge to the community *and* exploit the knowledge already available. Traditionally, incentives equal bonus and promotion, that is, visible testimonials that it is

advantageous to share knowledge—both economically and career-wise. However, companies in our study that have implemented such incentive systems, for example, in connection with performance appraisals, still have problems with motivating organizational members and related barriers to knowledge management.

The study indicates that such incentive systems should expand beyond financial and promotion-based rewards. When respondents were asked directly what would make them share (more) knowledge, only a few mentioned a cash bonus. While this reaction may reflect a socially desirable response bias (it is possible that they were reluctant to show that money matters), they focused on *culture, structure,* and *management.* As mentioned earlier, it appears that a knowledge management orientation must be a part of the company culture—that it *matters* whether you do it or not:

> The idea that when everybody does it, and if you are expected to do it—then it will be done, but there are no real expectations that it is done [from the management and the project manager].

Knowledge sharing should be incorporated into daily procedures and routines, thus making it an intrinsic part of the work and not an extracurricular, time-consuming activity:

> There should be a structured access securing that everybody just does it. It is the same as when you start a project; you start a quality assurance procedure, you open a file, and you do lots of things. The other part—closing down the project—should be just as integrated into the project.

One firm, for example, is experimenting with integrating its sales system with a documentation database. It is not possible for the project manager to close a job and invoice the client before the project is documented, as the system does not release the job code where the job expenses are invoiced. This process-oriented approach is intended to embed the knowledge sharing process into the basic way in which work is carried out in the firm.

There are other ways of building incentives into the system, although they are subtler. We often tend to see behavioral changes as an information problem—as long as people are told why they should change behavior and how, everything will work out. Sometimes, however, it is more appropriate to start the other way around. As reflected in the following interview, this can be done through a structural (organizational) change where employees are assigned new roles and are thus forced to act differently:

> Before there was a tendency to keep your knowledge, your competence to yourself. And if somebody came and asked if he could borrow some slides, people would react a bit reserved...

Why was it like that?

> Because if you had developed a concept, then the others shouldn't just think that they could run around delivering it. First of all, they have to know something about it, second, it is my design, it provides my "bread," and I was involved in the development. So it becomes small one-man firms, and you keep your knowledge to yourself.

What created that orientation?

> ...the only thing our incentive structure was based on was booking and delivery.

What created the change in attitude?

> Today, our incentive structure has become much more varied. There are now several ways of being successful and this helps deconstruct the knowledge-hoarding behavior.

This management consulting firm shifted to an organizational structure where some consultants sell, others deliver, and others develop, giving the consultants new roles. The role of the experienced consultants (who in the past had kept their knowledge to themselves) was changed to one of pure sales functions to take advantage of their client network. Suddenly, they became dependent on the rest of the organization because they needed to consult with their colleagues who delivered the jobs: "The new role has resulted in different needs, and all of a sudden they have started to ask questions!"

Another of the firms in our sample is very committed to train new consultants in using the firm's databases and knowledge universe. This focus appears to have had a positive impact on the knowledge culture:

> I think it is a question of time, training, and insight. That they [the consultants] become attentive. And they [the newcomers] don't just sit in one department, they are spread all over the organization. It is very clear that in some departments they have communicated that knowledge [about the systems] to the older consultants—who have had their jobs for a long time. And then they [the older consultants] also change.

Finally, employees expect that management will define the guidelines for how and when knowledge sharing is appropriate in the specific organization. Confusion about fundamental questions like these can also prevent an effective knowledge culture from emerging. "The table must be laid," as one of the respondents pointed out. As another respondent explained:

> We must have some rules. There need to be some frames and some things that are indisputable, and other things have to be much more value based. "OK, I'll document if I want to. You document if you'd like to"—really, you can't have that as a value. You just have to say, "Alright—in any case we do have to document this, this, and that."

In sum, knowledge sharing needs to be an integral part of the core business ("what we do") and integrated into daily routines ("how we do it"). Such change requires the full support of top management.

Top Management Support

Experience shows that if top management does not fully support a project on knowledge sharing it will not achieve the impact needed in order for it to become successful and thus valuable to the organization (cf. Davenport et al., 1998; Earl & Scott, 1999; Foote et al., 2001). Our study also shows that to create a culture where knowledge sharing is legitimate and desirable, management should first and foremost act as role models. As illustrated by the comments of one of the respondents, however, this is not always the case:

> One thing I miss around here is the partners socializing. Again, they create the frames but why on earth don't they participate in these [social] things? You can't force management to do so, but it is a damned good signal.

While top management in consulting firms seems to acknowledge the value of knowledge management, there appears to be a discrepancy between the stated goals, company practices, and resource allocation when it comes to reality.

In management consulting firms, it is frequently the case that practice (behavior) counteracts the signal value of the messages originating from top management. The right words are followed by wrong actions, which only confuses the overall picture and understanding of the firm's goals and how they should be achieved. At the same time, management provides ample arguments in support of the necessity and importance of knowledge sharing, but the organizational setup places an emphasis on billable hours and allows employees to hoard knowledge. The following remark by an employee indicates the importance of upper management in the managerial process:

> We have a management that really prioritizes it [knowledge management], and to a very high degree are exponents of this enormous—you can say knowledge sharing, openness, communication, etc. That's decisive. We could

> live in a box, we can close down our net and we would exist anyway. That is my hypothesis.

An interesting point in the study in relation to management concerns the issue of whether a firm should have a chief knowledge officer (CKO) or knowledge manager (as some companies title the function). In general, our findings suggest that the advantages of having a CKO compensate for its disadvantages. The firms with a CKO (or similar position responsible for knowledge management) are *much more dedicated* to initiatives in the knowledge area, have a more vivid knowledge culture (e.g., employees who are judged to be more conscious about knowledge sharing), and understand the value of both contributing to and exploiting the knowledge base in the organization. Although it is a general belief that knowledge management should be decentralized and "everyone's responsibility" through the creation of a knowledge culture, studies indicate (cf. Earl & Scott, 1999; Foote et al., 2001) that unless there is a person responsible for initiatives in the knowledge field, it is easily "nobody's responsibility" and organizational acceptance is weak.

(RE)DEFINING KNOWLEDGE SHARING

The empirical data in our study indicate that the concept of knowledge sharing is both unambiguous and manifold. Unambiguous in the sense that technology plays such an important part and manifold because the conceptions of what constitutes or should constitute knowledge sharing are multifaceted. Knowledge sharing covers a variety of activities: a talk with a colleague at the coffee machine, an educational situation, a document in a database, an email, an information board with notices, and so forth. As such, knowledge sharing takes place each time you communicate who you are, what you are doing, or what you know to somebody else.

Based on our study, it is possible to crystallize the concept of knowledge sharing in a number of subcategories, creating a knowledge sharing typology (see Table 2.2). Knowledge sharing is, to a high degree, about communication and thus concepts such as sender, recipient, message, and medium (or channel of communication) are highly relevant. Since the message is influenced by the medium through which it is conveyed, it is important to offer as many channels of communication as possible, so that the sender can "choose" (not necessarily a conscious act) the optimal channel related to message, recipient, and distance (time/space).

Table 2.2. A Typology of Knowledge Sharing

	Objective	*Example*
Knowledge storing	Availability	Intranet
		Databases
		Binders
Knowledge distribution	Preavailability	Corporate news sites
		Staff journals
		Mass mail
Knowledge exposure	Visibility	Posters
		Notice boards
		Visible testimonials of the company's production
Knowledge transfer	Education	Classroom training
		E-learning
		Lectures
		Presentations
Knowledge exchange	Communication	Videoconferences
		Telephone
		Chat
		Mail
Knowledge collectivism	Cohesion	Mentorships
		Communities of practice
		Informal talks
		Meetings

The typology of knowledge sharing is presented as a starting point for revising the way in which we think about the concept of knowledge sharing and its different possibilities and limitations. The purpose is to provide a more grounded platform for understanding the different means available in the knowledge sharing processes. It is assumed that the ambiguous nature of knowledge sharing prevents many people from using or practicing the concept, as they seek to reduce the complexity of knowledge sharing by simply focusing on one or two of the approaches in Table 2.2. Such emphasis is not deliberately intended to neglect the other aspects, but rather emerges from the reality that our perception of the types of knowledge sharing that have the biggest impact on efficiency and productivity—and thus value creation—is too narrow. When acts are made visible they are legitimated, and visibility and value are often equated. Knowledge materialized in a database is more tangible than knowledge inside people's heads or knowledge "floating" between colleagues in everyday interactions. However, invisible and intangible knowledge, which are abundant among employees, create just as much—if not more—value for the firm.

Several firms in our study were aware of this paradox and emphasized that their knowledge management initiatives are still only at a starting point. As a first step, most have focused on the tangible aspects of knowledge, especially in terms of implementing systems and procedures to strengthen knowledge flows within the firm. While efforts to deal with explicit, tangible knowledge clearly have their limits, this starting point is an important foundation for working with the softer, more intangible issues of knowledge sharing. As several firms in our study have indicated, the next steps in the area of knowledge management will be to work on more implicit, cultural issues.

CONCLUSIONS

This chapter has explored some of the parameters and problems constituting knowledge sharing in the management consulting business. The study shows that knowledge management *in practice* is still at a preliminary stage. Although there is a growing recognition of the value embedded in more systematic and holistic knowledge management activities, many firms are still concerned with relatively fundamental problems in knowledge management. In fact, some of the firms in the study still only have a vague idea of what knowledge represents in their firms, thus making it more difficult to develop an appropriate strategy.

The study has reinforced that an explicit knowledge strategy and support from top management are key drivers in institutionalizing knowledge management processes in management consulting firms. Signals from top management that indicate what is expected from employees with regard to knowledge management clarify uncertainties and enhance action. The organizational infrastructure and the accompanying rhetoric also have a significant impact on firm culture and day-to-day activities, especially influencing the ways in which knowledge is shared and utilized. An overarching emphasis on time utilization and billable hours counteracts knowledge management initiatives—especially when time utilization is linked to performance reviews—undermining the essence of knowledge sharing.

The study has illustrated that a knowledge strategy that is rooted in business strategy and implemented throughout the organization and organizational processes serves as an incentive in itself. When knowledge sharing is a fully integrated part of the business, organizational members are more likely to think of knowledge sharing as an advantage rather than an obstacle—and therefore act accordingly. If interacting with colleagues is a prerequisite for successful job performance, employees are more likely to ask for and contribute knowledge when needed. Project organizations and related structures where colleagues are dependent on each other's work to

achieve high-quality outcomes make it harder to hoard knowledge and create a small kingdom.

In this respect it is important to bear in mind that trust is an important factor when collaborating with others. There is a tendency, especially in management consulting firms, for knowledge employees to avoid any appearance of ignorance (by seeking advice or asking "silly questions"). They may also be reluctant to critically evaluate the knowledge forwarded by colleagues. Self-criticism and information overload are additional rationales that are often prevalent in the employee's mind. Organizational members prefer to share knowledge with people they know well and in connection to a current, specific problem.

The view of knowledge management proposed in this chapter shifts the emphasis on knowledge management processes from a technology-centric view to one where information technology acts as an enabling factor. It is not enough to simply make knowledge available, for example, in databases, because it does not mean that the knowledge will be shared and utilized as intended. This is partly due to the fact that when knowledge is represented as a text in a document, it is decontextualized. "Man is a social animal," as Aristotle pointed out. People typically prefer talking to colleagues about problems rather than looking for solutions in databases. Even though the recipient who eventually reads the text may comprehend the words, it is not certain that the person will necessarily be able to effectively use the newly acquired knowledge. *Since knowledge only has value in action,* it is doubtful whether the efforts of documenting, quality assuring, and updating documents in databases create the desired outcomes. While information technology will continue to play a significant role in knowledge management systems and knowledge sharing practices, the real challenge of knowledge management has been—and will continue to be—balancing the interplay between technology and people.

NOTES

1. An earlier version of this chapter was presented as part of the Management Consulting Division's program at the 2002 Academy of Management Conference in Denver, Colorado.
2. The Proquest database, which comprises many full journal articles as well as short magazine columns, provides a good representative sample of the current discussion in the field of management.
3. The information from these firms is considered as a secondary source because graduate students gathered it in a different context.
4. The use of photos is a relative new methodology in management research studies—or at least not extensively used—and a number of methodological issues could be raised. We have deliberately omitted a more profound dis-

cussion of the methodology in this chapter, however, as our focus is on content rather than form. This approach, however, raises some intriguing possibilities that could be incorporated into organizational ethnographies and field studies. It readily compensates for those situations where researchers may be too theoretically focused or where they are not very familiar with the organization.

5. The material on Shell, which is an international company, was presented at the Knowledge Management Conference, *KM Europe 2001*, in Hague, The Netherlands, November 2001.
6. Snowden's comments were made during a presentation at the Knowledge Management Conference *KM Europe 2001*, in Hague, The Netherlands, November 2001.
7. Such humility might be a cultural trait specific to Denmark. Employees in international companies mention that they do not recognize this behavior among their American colleagues.

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CHAPTER 3

THE LIMITS OF ISO9000 CONSULTING METHODS

Toward a Multidimensional Approach[1]

Isabella Vasconcelos and Flávio Vasconcelos

New institutional theory describes normalization as one of the mechanisms that induces isomorphism in organizations, leading them to adopt structures and practices that follow generally accepted idealized models and myths. According to this theory, there is a general trend toward standardization because organizations seek support and legitimacy in their institutional fields by adopting structural models that are generally perceived to reflect best practices. In this way, international normalization entities—such as the International Standards Organization (ISO)—which are responsible for issuing many kinds of industrial norms, are key actors in defining the isomorphic properties of many institutional fields.

Social actors and organizations adopt institutional models not only because they perceive them as the best alternative, but also because they are rewarded to do so by increasing their legitimacy in the field, enabling access to certain resources, and ultimately increasing the probability of organizational survival. New institutional theory suggests that an institutional sector is a space that aggregates several organizations competing for scarce resources. These institutional sectors are characterized by the elaboration of norms and rules to which organizations must conform in order to be recognized as legitimate players in order to get the support of other social actors and organizations (Scott & Meyer, 1981).

Important new institutional scholars such as Powell and DiMaggio (1991) and Scott and Meyer (1981) propose a typology of the processes leading an organization to change its structure and managerial practices to adopt an institutionalized normative model. Professional associations, international normative organisms, and governmental entities are important actors in the process of creating and molding organizations. According to these authors, each institutional sector witnesses the confrontation of several normative models. These models engage in a symbolic battle, resulting in the recognition of a small set of normative models as more efficient and, thus, more appropriate to the specific institutional sector. These models then represent the power equilibria of the sector, reflecting the relative prestige of each actor or organization.

According to institutional theory, organizations adopt institutional models through four basic isomorphic processes: (1) coercion, (2) induction, (3) appropriation (organizational mimetic behavior), and (4) normalization (authorization). *Coercive isomorphism* occurs when an outside organism legally imposes rules that are to be followed by the organizations in a particular field. Coercion happens when governmental entities enact legislation defining the forms and procedures that a specific set of organizations should adopt, using the normative power derived from its public authority. *Inductive isomorphism* mechanisms, in contrast, occur when economic agents, who do not have the legal authority to determine other agents' behavior, try to do so by setting up tangible incentives that lead organizations in a particular field to adopt certain organizational forms and procedures. These economic agents usually promote isomorphism by promising benefits and "prizes" to incite other economic agents to act in the way they believe is more favorable to their own objectives.

Appropriation isomorphism occurs when organizations in a given sector deliberately imitate the models and practices set up by leading organizations. This practice, also called organizational mimetic behavior, is more noticeable in institutional sectors where uncertainty regarding the effectiveness of organizational models is high. In these situations, some models usually emerge as more effective than others. Finally, *normative isomorphism* occurs when an accreditation organism has the right to evaluate and inspect other organizations, granting the use of a seal or label that certifies that the authorized organization follows the processes prescribed by the authorizer. ISO9000 certificates, issued by the International Standards Organization, fall into this category. Organizations voluntarily choose if they want to adopt ISO9000 norms and to open their practices and routines for ISO9000 audits. In practice, however, ISO9000 standards are virtually mandatory in many sectors because important economic actors impose them as "*sine qua non*" conditions to their suppliers and retailers. In order to have the right to use ISO9000 labels, organizations must prove that they

follow the procedures and regulations prescribed by the International Standards Organization.

ISO9000 QUALITY STANDARDS AS INSTITUTIONALIZED MYTHS

As noted above, new institutional theory argues that the formal structures of many organizations in post-industrial society reflect the myths of their institutional environments rather than the requirements of their work activities. Norms, technologies, and procedures may be seen as highly institutionalized structures that function as myths. These institutionalized technical procedures become taken-for-granted means to reach organizational goals. They are considered to be the best tools available and their adoption is a source of legitimacy. Their use avoids claims of negligence. As pointed out by Meyer and Rowan (1991): "Organizations that incorporate societally legitimated rationalized elements in their formal structures maximize their legitimacy and increase their resources and survival capabilities" (p. 53). In essence, ISO9000 procedure could be considered a myth in some industries.

The Dual Nature of ISO9000 Implementation Processes

In this chapter, we analyze the adoption of ISO9000 quality standards in two computer companies located in France. We also draw on an exploratory survey in 15 French consulting firms that specialize in quality management. Our findings show that the majority of the ISO9000 consultants interviewed used directive "engineering" methods to restructure the organizations, trying to enforce conformity between ISO9000 standards and the organization's formal structures. The respondents carried out numerous quality inspections in order to prepare their clients to be audited by an official entity to obtain the ISO9000 certificate. These consulting methods were based on the assumption that organizations function according to their formal structures, and attempted to increase control over organizational practices by creating "tightly coupled" systems. As suggested by new institutional theory, however, there is a significant gap between formal organizational structure and the informal organization. As noted by Meyer and Rowan (1991), organizations in the same industry tend to be similar in formal structure because they have common institutional origins. Yet, they may show much diversity in actual practice.

Our two case studies confirm this proposition. The research indicates that there are two ways to implement ISO9000 standards: an *in-depth* proce-

dure (concerned with organizational productivity, efficiency, and external legitimacy), and an *instrumental* one (focused solely on external legitimacy) (see Vasconcelos, 2000).

The In-Depth Implementation Approach

An organization seeking an ISO9000 certificate has two basic objectives: one related to organizational efficiency and internal structure, and the second related to the external legitimacy of the organization. Based on the assumption that organizations function according to their formal structures, the quality assurance system proposed by ISO9000 norms should, in theory, help the organization to build a transparent and reliable quality system, enhancing organizational production efficiency and effectiveness. In this sense, one of the most important benefits of ISO9000 is the transparency that it imposes on organizational procedures and routines, because they have to be formally described and written. This procedure has the objective of sharing information and promoting learning in the organization. The right to use the ISO9000 label also provides the certified organization with a certain amount of prestige and some market differentiation (external legitimacy), contributing to a better organizational image and helping to open new markets, especially with organizations that require ISO9000 from its suppliers.

Managers who decide to implement an in-depth ISO9000 procedure tend to be concerned with these two objectives: improving the production system's efficiency and its external legitimacy. In-depth ISO9000 implementation is usually associated with the implementation of a "Total Quality Management" (TQM) program and the existence of a set of related management systems aimed at controlling and increasing the production system's performance.

The Instrumental Implementation Approach

In an ISO9000 *instrumental* implementation, organizations have the external legitimacy provided by ISO9000 standards as their only objective. These organizations usually build a facade, doing the "bare minimum" in order to satisfy the ISO9000 requirements. In many instances, the firm might not even have an acceptable quality assurance system. As pointed out by Avery (1994), Jacques McMillan, an executive of the European Commission on Normalization, once declared the following:

> The European Commission is still very much committed to the standards and to quality in general, as long as the objective is quality and the enhancement of the competitiveness of industry. It is not interested in supporting the existence of an artificial quality and certification market that only serves the purpose of its providers. The ISO9000 standard led many customers and users to

> ask their suppliers to have quality assurance certificates, even when they are totally unnecessary for the purposes, for example when the customer carries out second-party audits even in the presence of a third-party certificate. This misunderstanding has led to a situation in which companies go for the certificate before going for quality. This approach leads to an artificial, costly and at best inefficient and short-lived quality system that does not help economic operators face up to global competitive conditions.... Some companies have succeeded in being certified without really having demonstrated that they even read the ISO9000 or 9004 normative instructions. There is a growing disenchantment not only for certification, but more important and more dangerous, for the whole move toward quality. (p. 23)

Such ISO9000 certification procedures also tend to generate a "domino effect": when large organizations adopt ISO9000, they often require large numbers of their suppliers to do the same. These suppliers are then induced to require the ISO9000 from their suppliers. This phenomenon thus spreads the need for ISO9000 along large portions of the production chain, forcing many organizations to seek ISO9000 certificates even when they do not intrinsically believe that ISO9000 procedures are appropriate for their specific realities. Due to this belief, these organizations are more likely to adopt instrumental implementation practices. As noted above, in a high-institutionalized context, organizational action must be supported by some myths to obtain legitimacy and rewards. Bradley (1994), a British expert on ISO9000 standards, points out:

> Among companies of all sizes, the overriding reason for going into ISO9000 is one of real or perceived external pressures. A survey by Lloyds Register Quality Assurance Ltd. found that wanting to be considered for tenders was the overriding reason why firms of all sizes put themselves in for the standard. The Federation of Small Business cites from its members' experience that the most important benefit of the standard is a marketing one. (p. 12)

Another potential problem with ISO9000 quality standards is the proliferation of consultants specialized in writing the ISO9000 procedures, helping organizations to organize a facade to achieve certification without really modifying underlying organizational practices. Some of the consultants in our study, for example, offered prewritten reports and manuals that could be easily adapted to fit the organization's activities. Finally, as pointed out by Brumm (1997), the existence of many entities capable of performing the required audits and issuing the ISO9000 certificates was pointed out as a weakness that favored instrumental implementation practices, contributing to the erosion of the ISO9000 prestige and credibility:

> The organizations have two options: they may elect simply to be registered to ISO9001, 9002 or 9003 as their customers specify; a competitive advantage

> will not necessarily result. Or, they may use ISO9000 as a point of departure for a customer-led quality effort, one in which marketing is a full-fledged participant. (p. 35)

CASE STUDIES OF ISO9000 IMPLEMENTATION

Our research draws on two case studies in the computer industry. In the companies portrayed in these two cases, ISO9000 certification internal audits were employed following the same formal procedures, but they generated completely different results, despite the fact that the two companies were in the same sector and had many similarities. This section briefly describes these two cases and the results of the ISO9000 implementation.

The Ox/SA Case

Our first case study reveals that when managers intend to implement ISO9000 in an "in-depth" way, they can find sufficient organizational resistance that makes ISO9000 processes much more difficult to adopt than expected. In this case, we observed that strong organizational blockages led the organization to modify its ISO9000 implementation procedure, changing from an "in-depth" procedure to an "instrumental" one.

Background

By the end of the 1980s, the computer industry experienced a significant technological transformation. UNIX-based systems, based on open software architecture, started to take control of important markets that had been in the hands of restricted, proprietary technologies that belonged to mainframe computer manufacturers. The UNIX-based systems allowed these mainframe programs to be produced and sold in a radically different way. Before the UNIX era, almost all programming required by a mainframe computer had to be done in the proprietary language of that specific computer, thus restricting supply to the original computer manufacturer and some of its licensees. With UNIX technology, software products became transferable from one platform to another, allowing the creation of an open market for software. Customers that were once tied to only one supplier became free to choose from a variety of diversified offerings.

As this open market emerged, competition among computer companies increased and prices dropped drastically. The gradual replacement of large systems (mainframes) with personal computers and workstation networks forced companies to lower their costs and to work with larger production volumes. The most successful companies in this period were those that man-

aged to implement these changes quickly and efficiently, adapting their internal structures, practices, and procedures to fit new industry realities.

The shift in the balance of power, that is, the increasing importance of marketing specialists over engineering specialists, was not easily accomplished in some companies. The old software engineers, who specialized in the proprietary technology, usually resisted the organizational change programs proposed by the management teams. Old values, patterns, organizational structures, and procedures were questioned, and companies such as Microsoft, with standardized procedures, more informal structures, and lower costs emerged as success examples and were valued in this context. Proprietary systems became associated with the past and were increasingly considered to be an obsolete technology. New managerial structures that accompanied the new technology also became associated with the future of the sector, including the tendency toward flexible software factories and a semi-standardized system of production of software (Cusumano, 1990; Cusumano & Kemmerer, 1992).

In summary, due to technological ruptures, the previously dominant normative models in the computer industry were questioned and new models were proposed, accepted, and copied by many companies, becoming sources of legitimacy and prestige. Within this context, the discussion focuses on how a division of Ox S/A, a large European computer manufacturer, associated the "in-depth" implementation of ISO9000 certification with a complete restructuring of its software production system, seeking to consolidate new values and new organizational structures.

Ox S/A

The European group Ox S/A is one of the world's largest computer manufacturers. It was created in the late 1960s, emerging from a political decision by the country's government, with the objective of developing the computer technology needed to facilitate the development of the country's atomic energy industry. Because of this underlying strategic dimension, the company was soon acquired by the state, which then invested enormous amounts of money in the engineers' training, the same ones that, for 30 years, developed large proprietary systems for Ox S/A. The main objective of the company at that time was not to earn profits, but to locally develop computer technologies.

At the beginning of the 1990s, due to the structural changes in the computer industry previously described, the company began to accumulate enormous losses, losing up to $1 billion (U.S.) in 1993. At this time, a new governmental coalition broke with the previous socialist government's practices and decided to privatize Ox S/A, appointing an executive with a reputation for successfully restructuring a number of companies. He and

his management team reformulated the company's new strategic planning, creating a divide between the "new" and "old" Ox S/A.

The "old Ox" was dominated by long-term professionals who specialized in proprietary systems. This group had developed the "mainframes" and proprietary systems whose sale and maintenance were still responsible for 48 percent of the company's revenue. These systems would disappear progressively. The "new" Ox S/A corresponded to the development of UNIX-based open systems. Following this strategic planning, the resources generated by the proprietary systems would be reinvested and transferred to finance the new projects, which included the old professionals' early retirement and the recruiting of young engineers specialized in the new technology.

The old professionals' group naturally questioned these decisions. This group didn't just question the content of the company's strategic planning, but also the way in which it was being implemented—imposed in an authoritarian way—without any discussion or negotiation. They resisted and avoided adopting the new directives. Noticing this problem, the management decided to use ISO9001 implementation as a means to consolidate new norms, values, and behavior patterns in the company, attempting to overcome the resistance of the old professional group. These individuals, however, considered the ISO9001 program to be a menace to their power as "experts," resisting what they considered to be a decrease in their autonomy and an increase in control on the part of both the quality management department and of the company's top management. In December 1995, just before the certification audit for the National Association of Quality Auditors, the national organization that certifies ISO9000, Ox S/A's "old" professional group announced that it would not write its procedures and routines of work according to ISO9001 norms, thus sabotaging the certification audit. As a result of this noncollaboration, the members of the quality department had to quickly document the procedures and routines for these professionals, in an effort to provide the external auditors with a seemingly coherent program. While the company successfully obtained ISO9000 certification, the underlying process did little more than create an artificial "facade" to convince the auditors. The company failed to implement ISO9001 norms in an "in-depth" basis due to organizational resistance, relying on an "instrumental approach" instead.

Analysis and Discussion

As seen above, ISO9000 consulting methods are based on the assumption that organizations function according to their formal structures. The adoption of this kind of consulting procedure generates a rationalization process in which consultants and managers try to create a "tightly coupled system" in order to increase control over organization practices. This kind

of procedure, adopted by Ox S/A managers and consultants, generated social tension and a resistance to change phenomenon in the organization. From a psychoanalytic perspective, when employees feel threatened in their social identities because of an attempt to increase the power and influence of control systems, they will manifest their social defenses, that is, how they deal with noncontained forms of anxiety and fear. Social defenses can also be seen as sources of behaviors blocking organizational change. A key social defense mechanism, as seen in the Ox S/A case study, is "reaction formation" that prevents organizational members from adhering to the larger rationalities of the formal, undermining long-term effectiveness. This kind of reaction encourages employees to block the change program. Consequently, it is necessary to break the vicious circle of ISO9000 engineering-based implementation programs, that are intended to increase control over the organizational system, but which actually trigger social actors' defense mechanisms that ultimately block long-run effectiveness of the quality system.

This kind of "engineering" consulting model is mistaken in its assumption that, as noted by Meyer and Rowan (1991), "organizations function according to their formal blueprints" (p. 56) and that actual activities conform to the prescriptions of the formal structure. Similarly, Heckscher and Donnellon (1994) point out that the formal links of bureaucratic structures (like ISO9000 standards) are too impoverished to support the real work of organizations. As seen before in organization theory, when organizational members closely "follow the rules," the system does not work. The reality is that the formal organization needs informal systems and flexibility to function effectively.

The Ox S/A case study confirms the proposition that as attempts to control and coordinate activities in organizations lead to conflicts and loss of legitimacy, elements of structure are decoupled from organizational activities. As pointed out by Meyer and Rowan (1991):

> Decoupling enables organization to maintain standardized, legitimating, formal structures while their activities vary in response to practical considerations. Program implementation is neglected and inspection and evaluation are ceremonialized. (p. 57)

These authors point out also that the logic of confidence and good faith characterize ceremonial management. Avoidance, discretion, and overlooking are some of the mechanisms social actors use to reinforce confidence in the myths that rationalize the organization's existence. This is the reason why "decoupling" allows employees to adapt to new rules and procedures, avoiding organizational resistance. Disputes and conflicts are minimized and the organization can mobilize support from a broader range of

external constituents. Thus, organizational diversity and loosely coupled systems may be stable solutions. As Meyer and Rowan argue: "Even if, to some extent, such structures buffer activity from efficiency criteria and produce ineffectiveness, by binding participants to act in good faith and to adhere to the larger rationalities of the wider structure, they may maximize long-run effectiveness" (p. 59).

At the end of the chapter, we explore this issue in more detail. If formal structures need informal systems and flexibility to work well, do we need to develop complementary multidimensional quality consulting methods to deal with this reality? Diversity, paradox management, "loosely coupled systems" and a psychoanalytic approach seem to be the most promising ways to create a ISO9000 program that is truly able to develop real learning and long-lasting effectiveness in organizations.

The WorldCorp/NTE Case Study

WorldCorp is a large American multinational company that for many years has been one of the leaders in the computer industry. As many other large computer manufacturers, WorldCorp had significant losses in the early 1990s, which precipitated a worldwide effort to adapt its structures and practices to a new competitive scenario. By the end of 1996, WorldCorp showed positive financial results after implementing a radical restructuring plan and reducing the company's workforce from 600,000 in 1991 to less than 35,000 in 1997.

Our research was conducted at the WorldCorp R&D Laboratory in Europe. This laboratory specializes in Networking and Telecommunication Equipment (NTE) and was considered to be one of the most important R&D centers in the company, especially due to the growing demand for Internet and local area networks.

Background

In spite of the strategic priority of the NTE Laboratory, in 1996 its headcount was reduced to 1,000 employees from an employee population of 1,600. This reduction in the workforce led to an increase of the workload of each employee, since the requests for new products and technologies only increased. To address this problem, the Lab's management team decided to implement a new matrix structure and a new human resource allocation system, locally known as "pipeline management."

Through this system, 20 percent of the employees would be available to the company for long-term development projects and priority assignments, while the remaining 80 percent would be allocated to temporary projects. These transformations changed the structure of the organization. Just

before promoting these changes, the director of the laboratory implemented an ISO9001 program. This program was presented as the continuity of another quality program that had been used since 1986.

The previous program was a TQM program that sought to introduce new concepts and social practices in the company, including intensive market research, the need to "listen" to the clients, and the development of quality indexes to measure the laboratory's performance. This program also aimed at understanding the position of the company in relation to its competitors, and at promoting the continuous improvement of its laboratory processes.

WorldCorp/NTE

Some of the WorldCorp/NTE engineers overtly criticized the formalistic and "bureaucratic" nature of the quality management programs used in the Laboratory. These criticisms, however, were not directly translated in organized resistance to change. The ISO9001 quality program was quickly and painlessly implemented in the NTE Lab. It was not even one of the main concerns of the laboratory's management team. The formalistic nature of the previous quality management techniques used in the laboratory helped to fulfill the ISO9000 requirements. In reality, very few changes were needed because the company's usual formalization level far exceeded those required by ISO9000 standards. In essence, ISO9000 did not represent any significant changes in the laboratory practices and routines.

In spite of the formal and bureaucratic character of WorldCorp, the laboratory's management team allowed the development of informal groups that formed a true parallel organization. The Lab's engineers communicated with their European and American colleagues using the company's Intranet, overtly criticizing the formal "bureaucratic" organization and proposing common solutions for its problems. This informal organization was not opposed, however, to the formal organization. In fact, it worked as a complementary organization, facilitating the ability of the professionals to communicate with their peers, exchange ideas and opinions, share problems and solutions, and protest against the status quo, uncovering and finding the resources to help them tolerate the formal, bureaucratic structure.

Analysis and Discussion

Being accustomed to formal and bureaucratic procedures, the employees of the laboratory did not resist the ISO9000 process, primarily because it was not perceived as a menace or a significant change in the laboratory's social system. In fact, the existing norms demanded only a few small adaptations in the Lab's current systems, rather than requiring the adoption of new models, values, or forms of behavior. The social system of this company was characterized by its lack of tension and protest.

Organizational members, as social actors, expressed dissatisfaction through official communication channels or the company's Intranet. The laboratory obtained ISO9001 certification in February 1997 without major problems. The implementation of the ISO9000 standards did not threaten established interests, as happened in the Ox S/A case. The change did not involve power disputes because it did not produce transformations in the system of rules consolidated in the organization. After two years, however, most of the innovations introduced by the TQM program and the ISO9000 standards had disappeared.

Even when ISO9000 implementation appears to work well and the company creates what could be considered a good quality assurance system, there are limits in the engineering consultation method adopted by ISO9000 consultants. As Heckscher (1994) emphasizes, this consultation method generates an unexpected phenomenon: the *successful failure*. Despite the fact that the vast majority of those involved in TQM programs expressed satisfaction, upward of 75 percent of these innovations disappeared within three years. Our findings at WorldCorp/NTE confirm these results.

Comparing WorldCorp/NTE and Ox S/A ISO9000 Implementation Programs

The comparison between these two cases suggests that the concept of social relevance is useful in understanding the role of ISO9000 programs in organizational change. Programs with low social relevance are those that require only superficial modifications in the practices of the organization. Its implementation neither disturbs the status quo in the organization nor the equilibria already attained among relevant social groups. The WorldCorp/NTE case is a clear example of this dynamic. In contrast, ISO9000 programs with high social relevance have deep implications for the structures, procedures, and cultures of the organizations they reach. As reflected by the Ox S/A case, this type of intervention is aimed at deep and lasting organizational change.

Both of the organizations studied used conventional consulting models to facilitate their ISO9000 implementation, an approach that clearly has its limits. Based on our observations, it appears that the key underlying factor is the degree of change involved in the organization's social system: the more an ISO9000 implementation process generates significant change in the organization's social system, the more the organization is likely to face resistance to change.

This observation suggests that the extent of social change produced by ISO9000 is a critical issue. Yet, ISO9000 consultants, as evidenced by our cases and survey of French consulting firms (discussed below), generally

ignore this factor. Our research findings suggest that when consultants, using conventional methods, appear to succeed in an "in-depth" ISO9000 implementation, they often face an unexpected phenomenon: the *successful failure*. Thus, a second observation is that even if an ISO9000 implementation program does not significantly change the organization's social system, the organization will likely face a successful failure. Table 3.1 summarizes the dysfunctions of conventional ISO9000 consulting methods and some of their consequences.

Table 3.1. Conventional ISO9000 Consulting Method Dysfunctions

Level of change	*Process dynamics*	*Change program outcome*
ISO9000 programs with low social relevance implemented through conventional consulting models	Successful failure	ISO9000 "in-depth" procedure succeeds, but the technical innovations do not last
ISO9000 programs with high social relevance implemented through conventional consulting models	Resistance to change	ISO9000 "in-depth" procedure fails and becomes "instrumental"

THE LIMITS OF THE ISO9000 ENGINEERING CONSULTING MODEL

In addition to the two case studies discussed thus far, we also conducted an exploratory survey with 15 French management consulting firms that implemented ISO9000 standards. Our findings indicate that in an "in-depth" ISO9000 implementation, consultants try to achieve a good "fit" between organizational structures, norms, and procedures and the ISO9000 official requirements. By itself, however, ISO9000 certification merely indicates the existence of a functioning quality assurance system that meets certain standards; the standards do not mandate change. Yet, the most common way consultants approach the implementation of a new quality system is to restructure the organization. The majority of the consultants interviewed (80 percent) used a basic linear engineering consultation model—the end point (to get ISO9000 certification) is quite clearly defined and then implemented through a directive process: define your ends, then seek the means to achieve them. As illustrated by the Ox S/A and WorldCorp/NTE cases, this approach may generate resistance to change or a successful failure. In fact, an important limit of the restructuring produced by the ISO9000 engineering consulting model is that it can be a painful and disruptive process, as illustrated by the Ox S/A case (see also Heckscher, 1994; Vasconcelos, 2000).

McKinley and Scherer (2000) show that organizational restructuring in a turbulent environment has the unanticipated consequence of producing short-term cognitive order in the top executives who engage it and in the management consultants who orient the process, because restructuring creates a perceived congruence or fit between the organization's internal structure and the state of the environment. However, restructuring also involves a paradox, because a second unanticipated consequence of this purposive management strategy is longer-term disordering in the internal environment. Emphasizing this concern, Heckscher (1994) points to the limits of conventional "engineering" methods: "To deal with that disorder, consultants act as educators, trying to persuade, training and pushing social actors toward a vision that (at best) only they have" (p. 138).

Given this inherent paradox, how might an organization attempt to build a long-term, quality system? How can consultants support this process, helping a company live up to ISO9000 and TQM standards, especially during the post-audit and post-certification years?

We advocate that the ISO9000 consultant involved in an "in-depth" procedure, to ensure the longevity of the TQM system in the organization, must go beyond traditional consultation methods that are only concerned with the structural "fit" between organizational standards and ISO9000 requirements. We suggest that a psychodynamic consulting model—as developed by Argyris and Schön (1978), Hirschhorn (1997), and Schein (1965)—should complement conventional quality management consulting methods. While it appears that such a multifaceted consulting approach is better suited for the complexity associated with such organizational change, our findings indicated that the majority of consultants in the study relied solely on a conventional approach to implement ISO9000 procedures.

PARADOX AS A RESEARCH FRAMEWORK AND MANAGEMENT TOOL

Klein (1994) argues that TQM procedures are based on operational control—observing the actual performance, comparing this performance with some standard, and then taking action if the observed performance is significantly different from the standard. To do so efficiently, the organization needs social actors who are committed to TQM procedures. Employee discretion over work methods, however, must fall within the boundaries of standardized work methods. Consequently, a paradox is often created between the need for operating discipline and employee empowerment over operating decisions. If organizational members are assumed to be the sole experts in setting work methods, they may not accept the new quality

standards. In order to avoid resistance to change, it is important to solve this issue and clarify the empowerment–conformance paradox (Klein, 1994). But what is a paradox? How can consultants and quality managers use this approach to better understand resistance to change and successful failure phenomena?

As pointed out by Eisenhardt (2000), paradox is the simultaneous existence in an organization of two inconsistent states, such as "empowerment and conformance" or "old and new." Brabet (1993) points to the emergence of an HRM Paradox Model, based on the concepts of organizational complexity, duality, and paradox management, exploring the tension in a creative way. It is based on the idea that change in human systems is rarely a smooth, linear, and planned journey. Extending these ideas, Lewis (2000) suggests that:

> A paradox may denote a wide variety of contradictory yet interwoven elements: perspectives, feelings, messages, demands, identities, interests or practices. Paradoxes are constructed—as actors attempt to make sense of an increasingly intricate, ambiguous and ever-changing world, they simplify the reality into polarized either/or distinction. Paradoxes become apparent through self, our social reflection or interaction. (p. 762)

Drawing on the work of Argyris (1996) and Kets de Vries (1995), Lewis (2000) argues that paradox requires a guiding framework: a tool to help researchers explore contradictory tensions, reinforcing cycles, and their management. Lewis further suggests that paradoxical tensions are perceptually, cognitively, or socially constructed polarities that mask the simultaneity of conflicting truths. Most actors accentuate contradictions by interpreting data through simple and bipolar concepts. Such frames of references or schemes enable actors to make sense of complex realities, but they are biasing and once entrenched, become highly resistant to change. This reinforcing cycle perpetuates and exacerbates organizational tension and stress, generating defensive reactions in social actors.

Attempts to manage the paradox typically explore tensions and drive the potential energy, insights, and power that may enable dramatic change. Paradox management, therefore, entails exploring, rather than suppressing tensions, through acceptance, confrontation, or transcendence (Lewis, 2000).

Paradox Management and The Psychodynamic Consulting Model

Hirschhorn (1997) emphasizes three phases of organizational development in the Unites States: the first, after World War II, based on the "quality of work life" movement; and the second, during the 1980s, focusing on

the quality companies developed, with workers involved in restructuring the production of goods and services. As put by Hirschhorn, "managers no longer wanted to limit the impact of workers' discontent. Instead they mobilized them to reshape and redesign the work" (p. 5). Now a third phase has begun. Many companies are beginning to emerge from the cost-cutting phase. Each phase personalizes work more deeply and brings the organization closer to creating a culture of openness. As Hirschhorn continues, "The personalization of work has the potential to bring each of us to an understanding in-depth of our own and our institutions purposes, of the institutional environment that shapes them and of the capacities and intentions of the people we work with" (p. 126).

In this context, the psychodynamic consultation model may allow managers to have a better understanding of the effects of the increasing personalization of work. Conventional consulting methods do not have the tools to understand these issues. Researchers and consultants in organizational psychoanalysis use methods closer to historical research. A proposition linking a cause to an effect gains credibility only when it is tied to a broader story of events. This story becomes a coherent narrative. Hirschhorn and Barnett (1993) emphasize the fact that a psychoanalytic approach to consulting takes the concept of "contradiction" for granted: "The psychoanalysis of organizations highlights the frequently paradoxical behavior of managers and workers. It takes the concept of 'contradiction' for granted. It leads with paradox" (p. 3). Consequently, when practiced as a clinical discipline as part of a consulting intervention, the psychoanalytic approach uses interpretation as the vehicle for learning and dialogue, and as the medium for clarifying the paradoxes of group life.

Schein (1965) and Frost and Robinson (1999) have shown that the stress levels and anxieties produced by organizations can be metaphorically thought of as "social toxins." In addition, Kets de Vries (1995) argues that even if individual psychiatric models are insufficient in dealing with complex human systems, many clinical concepts that have their origin in the dialogue between two people can be used in a larger context. The contributions of psychiatrists at the Tailstock Institute—Boon (1959) and Jacques (1955), for example—can be seen as extrapolations of the two-person encounter. Klein (1965) also shows that to cope with this anxiety, even children develop defense mechanisms, including splitting, introjections, and projection. Building on these perspectives, organizational dysfunction can be seen as a manifestation of such social defenses—the ways that groups of people deal with noncontained forms of anxiety and fear.

Consultants in organizational psychoanalysis use these concepts to understand the structure, process, culture, and environment of an organization in terms of the unconscious defense mechanisms developed by its members to cope with individual and collective anxiety that emerge from

latent fears. Other perspectives (e.g., Enriquez, 1991; Pagès, Bonetti, Gaulejac & Descendre, 1991), which provide a distinctively French view, analyze anxiety and fear as sources of motivation as well as sources of dysfunctional behavior. Important authors in the French psychosociological tradition, such as Max Pagès and Eugene Enriquez, have illustrated how an unbalance between life (Eros) and death (Thanatos) impulsions can be seen as sources of dysfunctional behavior that can block organizational change (Enriquez, 1991; Pagès et al., 1991).

We propose that, especially in ISO 9000 implementation programs with "high social relevance" (those that will have deep implications on the structures, procedures, and cultures of the organizations they reach), a multidimensional consulting approach must be adopted to effectively deal with these issues. The Ox S/A case provides an illustration of a psychoanalytic or paradox management approach to these problems. The "old professionals'" group, the software engineers who were representative of the company's past, rejected the formation of a "new" Ox S/A. Noticing this problem, the company's management decided to use ISO9001 implementation as a means to consolidate the new norms, values, and patterns of behavior in the company, bending the resistance of the "old professionals" to the new model. The old professionals resisted, trying to sabotage the ISO9001 program. While the company did obtain ISO9000 certification, changes were largely artificial, and the company manufactured a facade to convince the auditors. The ISO9000 "in-depth" implementation process was a failure.

The first paradox we can find in the Ox S/A case study is the juxtaposition of the old and the new. It is often found in technological change programs, especially in TQM and ISO9000 procedures. In this case, the old professionals' defense mechanisms were *reaction formation*. This behavior entails excessively manifesting the feeling or practice opposite the threatening one. In our case, the reaction formation behavior was the sabotage of the ISO9000 procedures by the software engineers—a practice working against the company and its management. Breaking the reinforcing cycle between the "old and new" that perpetuated and exacerbated organizational tension and defensive reaction would be a fundamental step to restore cooperation and dialogue among social actors.

A key dilemma in changing organizations is creating the future from the past. The past is the source of all knowledge and competencies in the organization. As shown in the Ox S/A case, people may have difficulties in collaborating in a radical change program when they identify with the past and perceive it as being "destroyed." Since social identity is heavily based on past action, organizations should accept the past as a strategic asset, building on it as a repository of competencies and as a bond that brings people together. In this way, the management of paradox means that social

actors have to be able to accept the past as a resource to leverage the present and the future. People are more likely to accept and embrace change when a "bridge" between past and future is erected, allowing them to move "chunks" of their past experiences, values, and memories to build their new future identities (Brown & Starkey, 2000). If the Ox S/A managers had used professional help to deal with these issues, they might have avoided, or at least minimized, some of these problems.

CONCLUSION

Is it possible to implement ISO9000 in a more creative way? While the ISO9000 in-depth procedure is a tool that can allow people to share information and promote learning in the organization, its ultimate success depends on *how* it is implemented. The psychodynamic consultation perspective suggested in this chapter underscores that in order to promote change and effective learning in an organization, managers must use rationalization tools and technology to challenge existing ideas and develop new perspectives on the future. While technology may generate new information, reconfiguring the nature of work and the social interactions in a more productive way (Zuboff, 1988), information that threatens an organization's collective self-concept can also be ignored, rejected, reinterpreted, or hidden (see Brown & Starkey, 2000). The organizational learning literature tends to be overly optimistic regarding the weakness of barriers to learning, underemphasizing the difficulties involved in the learning process. As Brown and Starkey suggest:

> A psychodynamic perspective suggests that once one embraces the identity of a learning organization, the organization actors must accept that identity formation is never closed and that the organization will develop a series of identities through time that reflect the organization's and its members evolving self-concepts. (p. 108)

While a psychodynamic perspective also suggests that this is no easy task, it is possible to deal with underlying difficulties and promote double-loop learning (Argyris, 1992).

From a consulting perspective, it is important to blend psychoanalytic approaches with a careful diagnosis of the social tensions inside and outside the organization. With respect to consultants focusing on ISO9000 implementation, this approach should be viewed as a complementary consulting method to facilitate managing organizational change in a more effective manner, recognizing the inherent paradoxes in the organization, and building bridges between learning and effectiveness.

NOTE

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Part II

TRENDS AND TECHNIQUES IN MANAGEMENT CONSULTING

CHAPTER 4

EXECUTIVE COACHING AS THE INTERVENTION OF CHOICE FOR THE DERAILING EXECUTIVE

Some Unanswered Questions[1]

James M. Hunt and Joseph R. Weintraub

Executive coaching is a growth industry in the field of management consulting (Hall, Otazo & Hollenbeck, 1999). To date, however, there have been few empirical studies assessing its processes or outcomes (Kilburg, 2000). This void leaves us with important unanswered questions regarding the goals of executive coaching, the roles that coaches play in the work of their individual clients and their clients' organizations, the mechanism(s) by which change takes place in coaching, and the contextual factors that influence coaching processes and outcomes. Given the field's growth and potential, the time seems right to push the field of executive coaching to develop a more rigorous theoretical and empirical basis.

This chapter focuses on one of the important roles fulfilled by executive coaches, that of *interventionist*, whose goal is to help a derailing executive. We use the term "derailing" to refer to an executive who is experiencing a performance problem that could represent a potential threat to current or future career prospects. Examples of such problems might include difficulties in interpersonal relations, building a team, articulating a vision, or

making appropriate strategic decisions. In this chapter, we focus in particular on the nature of the learning that takes place in executive coaching with derailing executives.

We use an action-science framework as a foundation for our analysis (Argyris, 2000; Argyris, Putnam & Smith, 1985; Argyris & Schön, 1978). The action-science framework was chosen for two reasons. First, action science draws our attention to the distinction between two types of action theories, espoused theory—what we say we do—and theory-in-use—what we actually do and why we do it (Argyris & Schön, 1978). There is a great deal of espoused theory in the field of executive coaching, largely offered by its practitioners. Much of the writing is general, however, and does not describe in detail what coaches actually do that leads to a (hopefully) desirable outcome.

The second value of action science is that it forces us to root out and explore the unarticulated assumptions that may serve to shape the nature of an intervention such as executive coaching. When practitioners work in uncharted territory, they are forced to make a variety of assumptions. These assumptions are shaped by their experience in dealing with a variety of factors, some known and articulated and some less known and tacit. As a field matures, it is appropriate to surface experience-based assumptions and assess their usefulness and their implications.

Consider, for example, the situation of the executive coach who is being called in to talk with the boss of a derailing executive. The coach may be impressed that the executive's boss, who is making the referral for coaching, seems genuine in his desire to help the derailing subordinate. The coach may then assume based on previous experience that an apparently positive attitude on the part of the boss toward the derailing executive will translate into the boss's maintaining a very positive context for the executive to work on his or her problems. If the first meeting between the executive coach and the derailing executive appears to go well (the executive isn't defensive and seems very open to the consultation), the coach may then assume that the boss has, in fact, created the necessary conditions for a successful coaching intervention. The coach's assumption, in the absence of more rigorous exploration, takes on the role of a theory of action: if the boss supports the coaching, the executive won't feel the need to be defensive and the coaching can proceed effectively.

All of this may be true, but the theory of action in this case has not yet been tested. An alternative hypothesis might be that both the executive and his boss were in fact avoiding a potentially difficult confrontation with each other by calling in the executive coach. Their pleasant demeanor perhaps reflected their felt need to suppress the conflict that was taking place between the two of them.

Executive coaching takes place in hierarchical contexts in which powerful and often unspoken assumptions can influence the course of any change program, personal or organizational. Hierarchical organizations are, for the most part, relentlessly evaluative and those who have problems run the risk of being viewed negatively. Rarely do those making judgments of others' performance admit to the possibility that they themselves may be part of the problem. The evaluative nature of organizational contexts is one reason most coaching practitioners espouse the assumption that coaching must be confidential if it is to be effective. If the problems faced by the executive are seen to lie within that individual (e.g., poor interpersonal skills, a lack of empathy, inability to run an effective team meeting), then it stands to reason that the executive should work those problems out on his or her own. Confidentiality, it is assumed, makes this task easier for the executive.

Let's say that an executive has received feedback from his team that he is not a good listener. His boss, concerned about the executive and the functioning of this very important team, decides that addressing the listening problem on the part of the executive will help all involved. The boss decides to call in an executive coach to help. The boss's assessment represents a call for what Argyris (2000) describes as "model 1" learning. The executive with the listening program is being asked to repress his natural response to a particular stimulus (interrupting, in this case) to comply with the demands of his particular role. The boss's analysis and other fundamental aspects of the executive's context (the nature of his work, his colleagues, etc.) have not been challenged.

Some interesting questions, however, come immediately to mind. Will this intervention improve his ability to establish rapport with others? Will the executive be able to sustain his newfound ability to smile on cue? How will he feel about having been through such a process? Why wasn't he able to listen in the first place? The executive can discuss these questions in the privacy of the coaching session. The only required outcome is that the executive leave the coaching experience a better listener. An executive coach who accepts this definition of the problem will assume that focusing coaching activities on the building of listening skills will address the problem.

Alternatively, let's assume that the problems of the executive are not his alone, but instead represent a reaction to his context. It may be that the problem the executive has in listening has to do with some significant problems on the team as well as his or her own impatience. It might be useful for other stakeholders (team members and the boss, for instance) within the executive's context to be a part of the process of working on the problem.

Perhaps instead of focusing only on the behavior of the executive, they also need to consider some fundamental issues about how the team is structured or its task is defined. Perhaps the executive's boss is part of the

problem, having picked someone to lead the team who is not well suited to the job, or perhaps never wanted it in the first place. An executive coach who assumes that both the individual and his or her context are part of the problem might approach the situation in a very different way. Confidentiality might be seen as a barrier to the executive, the boss, and perhaps the team's ability to have the kind of discussions needed to get to the bottom of the problem. The coach might have to ask the boss some very difficult questions, making the boss uncomfortable. The executive coach brought in to help an individual executive and who then begins to question the assumptions underlying the initial referral for coaching might begin to worry about whether or not she would be asked to take on other cases with the company in the future.

This approach represents what Argyris (2000) would describe as "model 2" learning. The fundamental assumptions of the boss (poor listening represents a skill the executive can learn, the team then functioning more effectively) are challenged. The system as well as the executive needs to learn more about how to make the team in question work. Is the role of the coach to "fix" the problem of the derailing executive or to create learning that may result in more fundamental personal or organizational transformation?

As part of our research, we have talked with executive coaches as well as executives who describe both kinds of experiences. Some coaches strive mightily to create coaching engagements in which model 2 learning can take place. There *is* evidence that executive coaching can result in the development of new skills through model 1 learning (cf. Edelstein & Armstrong, 1993; Olivero, Bane & Kopelman, 1997). However, the role that model 2 learning can play in executive coaching, particularly when the coaching is focused on an individual with a performance problem, is less clear. In order to better understand the role that model 2 learning can play in executive coaching with derailed executives, it is necessary to articulate and explore the assumptions of those who do this kind of work. In order to accomplish this task, we turn to their writings.

This chapter focuses on the nature of learning in executive coaching with derailing executives through a more systematic exploration of the executive coaching literature. We focus here on the executive coach who is in a consulting role; he or she is called into an organization to assist the individual executive and the organization in resolving a particular problem associated with the individual executive's role performance or to help the individual overcome a significant problem that may interfere with his or her promotion.[2] We examine six components of executive coaching practice, including its definition, the goals and roles of coaching, processes of engagement and contracting, confidentiality, the coaching process, and coaching outcomes. We distill key points from the literature in each of

these areas and try to articulate the assumptions made by the authors we have chosen. We also point out ambiguities in the literature that suggest important but unanswered questions that can hopefully become the subject of further theoretical analysis or empirical research.

After this initial literature review, the chapter turns to a more detailed description of Argyris's action-science concepts and then returns to the unexplored assumptions and questions raised in the initial literature review, viewing them through the lens of action science. We end by discussing the implications of this analysis for consulting practice and research.

THE EXECUTIVE COACHING LITERATURE

While there is no widely accepted definition of coaching, one of the more comprehensive efforts has been offered by Kilburg (1996), who describes executive coaching as

> a helping relationship between a client who has managerial authority and responsibility in an organization, and a consultant who uses a wide variety of behavioral techniques and methods to help the client achieve a mutually identified set of goals to improve his or her professional performance and personal satisfaction, and consequently to improve the effectiveness of the client's organization. (p. 142)

Similarly, Ennis, Otto, Stern, Vitti-Lawton and Yahanda (2002), founding members of the Coaching Forum of Boston, a group of consultants concerned about the state of practice of executive coaching, define it as: "A collaborative partnership between a middle- to upper-level executive, her organization and an executive coach" (p. 2). The purpose of this partnership is twofold: to facilitate both the executive's and the organization's learning and to achieve identified business results. Finally, Miller (2002), in a work titled "A Leader's Guide to Executive Coaching" has defined executive coaching as:

> A formal arrangement in which a qualified coach works with a business leader in a series of dynamic, confidential sessions designed to establish and achieve clear goals that will result in improved business effectiveness for both the individual and the organization. (p. 2)

These three definitions show some degree of convergence. Executive coaching is for people in positions of authority, rests upon what is espoused to be a collaborative relationship, and has goals that more or less focus on both individual and organizational improvement. Kilburg (1996) also points to an underlying helping relationship, invoking the assumption that

the individual client actually identifies him- or herself as wanting or needing help. The issue of confidentiality deserves special consideration and is dealt with further below.

A central assumption that emerges from these definitions is that executive coaching will generate "win–win" opportunities and outcomes. The organizational will benefit from the individual's development just as the individual will benefit. The notion that there could be a divergence of interests between the executive and the organization, as it is currently functioning, is not addressed.

Roles and Goals

Roles and goals are inevitably linked in most helping relationships. For instance, the coach may be a teacher of skills (with the goal being skill development) or a sounding board (with the goal being to provide an opportunity for the executive to reflect on his or her thoughts). Yet, while most authors stress the importance of focusing on specific results that would help the individual and the business (Ennis et al., 2000), the appropriate goal for executive coaching remains the subject of some debate.

Miller (2000) specifies that coaching is appropriate only for "structured planning and support to develop a new way of leading or managing others" (p. 4). He insists that executive coaching is not for business or personal problems, strategy, internal politics, skill building, or career planning. Marshall Goldsmith, a highly regarded executive coach who has worked with a number of international leaders, states that he focuses only on achieving "positive, long-term changes in behavior. Typically, that is interpersonal behavior, and not anything else" (cited in Alexander, 2000, p. 10). He also has a clear understanding of who defines the behavior targeted for change, "the (targeted) behavior is defined by the people who work with the person I am coaching. It's not defined by the person I work with. It's not defined by me."

Expanding on the idea that stakeholders external to the individual who ultimately becomes the client are central to the definition of goals in executive coaching, Strickland (1997) states that the appropriate goal is:

> Helping people see themselves as others see them. Helping executives step outside themselves and understand others' expectations, reactions, perceptions and criticisms. In helping executives accomplish this, coaching assists them in acknowledging and dealing with realities that they might otherwise avoid, or deny or accept with resignation. (p. 205)

In contrast, Witherspoon and White (1997) propose that executive coaches can play a range of roles with their clients and as such must be ready to work with a variety of goals in mind. These potential roles include assisting with focused skill development, dealing with performance problems, helping to promote readiness and development for the next job, and supporting the elaboration of the executive's larger agendas. When there is a clear focus on skill, goals and roles can be quite explicit. When dealing with performance problems, promoting development, and elaborating the larger agenda, however, the coach's role and the desired outcomes become progressively more ambiguous. The performance problem may relate to a lack of skills, it may relate to personality, it may relate to the executive's agenda, and more. Hudson (2000) goes further, proposing that even though coach and executive may focus initially on performance problems when the coaching involves a derailing executive, they should shift their focus rather quickly to the executive's vision or sense of purpose because that will shape what the executive will ultimately get from the consultation (and from his or her life).

The perspective of most authors, with the exception of Hudson (2000) and Witherspoon and White (1997), appears to be based on the assumption that it is possible to engage an individual client in a helping relationship when stakeholders external to the individual client have defined both that said client needs help and why. Those who espouse such an orientation toward role and goal setting also appear to be operating under the assumption that the data supplied by those stakeholders is more valid than the data supplied by the individual selected for coaching. Those who limit the focus of their interventions to interpersonal skills must assume that skill deficiency is at the root of the problematic performance. These views support the growing use of multirater feedback assessments in executive development or intervention, as well as the use of coaching as a means of debriefing such assessments (Hall et al., 1999).

Practitioners who take the view that the coach's role should be defined by the espoused goals of the individual executive appear to be working under the assumption that the executive's goals will also serve the goals of the organization. In addition, this perspective requires the assumption that the organization will accept less clearly stated, or predictable, outcomes from coaching activities that are not defined by some type of tangible data, such as that of a multirater feedback assessment. If the goals of the executive are paramount, the organization is in the position of taking on faith that the coaching will serve its needs because implicit in this perspective is the possibility, however remote, that the executive's goals may actually run counter to those of the organization.

Engaging and Contracting in the Coaching Relationship

If the coaching activity can be as complex as just described, it would likely require an engagement and contracting process capable of dealing with such complexity. Adding to this complexity is the fact that most executives now know about coaching, so the assumptions or expectations that they bring with them about coaching and its meaning may be important as well. Perhaps consistent with the growing popularity of executive coaching, some authors are already warning potential clients not to undertake coaching for the wrong reasons, reasons that could make an appropriate process of engagement and contracting impossible. If the executive undertakes coaching because it is a fad, for instance, he or she may begin the process with no goals that are inappropriate.

Noer (2000), for example, cautions executives against blindly accepting a boss's suggestion that he or she might need a coach, particularly if the boss is not explicit as to the reason for the suggestion. In the case of a derailing executive, this means that the executive's manager must provide explicit critical feedback regarding the executive's performance. Noer also reports, disturbingly, that this type of referral often takes place after the boss has discussed the executive in question with a specific coach (perhaps a golfing buddy) and makes the referral because the boss has a problem and the coach is looking for business:

> This collusion between the coach and the boss of the person who is being coached is alarming. I have seen many cases where the boss saw major performance issues but had not adequately communicated them to the person being coached. In other situations, the boss had already made up his mind to terminate the person being coached and was using the coaching process to assuage his conscience or to document his due diligence. (pp. 6–7)

Noer goes on to suggest that when the boss brings up coaching, the executive should confront the boss, find out what the issues are, choose his or her own coach, and get what he describes as the three C's—clarity, confidentiality, and control. Alternatively, Hall and colleagues (1999) encourage the individual who has been selected for coaching to be open to the experience and consider that it represents a statement of the firm's investment in his or her career. They stress that it is important for the individual being coached to get an understanding of the reasons for the intervention, but also recommend that the potential coachee not argue about whether or not she has need for help. They do recommend that the individual being coached be quite assertive with the coach and get a good understanding of how the process will work.

The process of engagement then may begin with the individual being referred for coaching being uncertain as to the reason for the referral and

what he or she needs to do to change. Given the reality that most senior managers are poor at coaching and worse at providing negative feedback to other executives (Eichinger & Lombardo, 2001), this is likely to be a very common problem. The referral for coaching may be the first the executive knows of the perception that he or she has a "problem." This could easily lead to defensiveness on the part of the executive being referred, who may associate the referral with an attack on his or her competence. Such defensiveness, of course, serves to adaptively protect the individual's self-esteem. The contracting process then has to serve as a means of linking the goals of the individual, who may be feeling uncertain or defensive about having been selected for coaching, with those of the organization that he may have on some level disappointed.

Contracting also involves the firm and in particular the individual executive's boss. After all, the boss has a stake in the process and outcome of the coaching, if for no other reason than coaching is typically paid for by the firm. Who, then, is the client in the contracting process? The coach spends most of his time with the individual executive client. Yet, as was seen in the previous discussion of goals and roles, the concerns of stakeholders external to the individual selected for coaching may be paramount, at least in the eyes of some coaches. Resolving this apparently conflicting set of interests, while clearly important, must be difficult, yet little is known of the process.

Ennis and associates (2000) state that "coaching is always an organizational intervention and, as such, should be conducted within the context of the organization's goals and objectives" (p. 3). These authors go on to suggest that coaching ultimately should represent a *three-way* partnership between the individual being coached, the organization, and the coach. They recommend that the organization, the individual selected for coaching, and the coach develop a formal written contract. In the contracting process, all the stakeholders should specify desired outcomes, the roles and expectations of each of the partners, mechanisms for managing misunderstandings, and clear learning goals and specific business practices, such as costs and payments. The executive should commit to active participation in the learning. The coach and other key "partners" should commit to provide whatever support it is agreed that the executive will require to meet the designated learning goals.

However, as we've already pointed out, the executive engaging in such a process may be feeling defensive. In order to have a hope of being useful, it must be assumed that the contracting process can address the implications of such an adaptively defensive stance on the part of the executive referred for coaching. Only then, presumably, will he or she be comfortable participating in the coaching process.

It must also be noted that the executive may go into the contracting process experiencing a high level of ambiguity regarding what he or she wants,

the process of coaching, and even what outcomes to which he or she might be willing to commit. In other words, the executive is in the difficult situation of having to contract for coaching, and perhaps assertively press his boss as to the reasons why he or she should undertake coaching, without knowing clearly what he or she might want or even whether or not he or she can readily embrace the obligations that are stated or implied in the contract. The parties appear to be contracting with one another, and setting up what should be helpful ground rules for their work together, but they are likely to be uncertain as to what they want.

This would appear to place particular demands on the methodology of executive coaching as well as the executive coach. The effective executive coach, one must assume, would work to help each party clearly define goals and processes to which they could really commit. If the effective coach was unable to do so, one assumes again that he or she would withdraw from the case. Unfortunately, there are few universally agreed-upon methodological strategies for addressing the problems just outlined. One exception to this is the assumption that some level of confidentiality is required for the coaching to be successful.

Confidentiality

Noer (2000), Ennis and colleagues (2000), Hall and colleagues (1999), and Miller (2000) all place importance on confidentiality in the coaching relationship. These authors propose that the limits of confidentiality be spelled out in the contracting process (Ennis et al., 2000). For instance, some coaches also do work in executive selection and can assess the executive client's potential for promotion. Most authors would recommend that if the coach were to issue such a report to the organization regarding the client's fitness for promotion, that this aspect of the plan be openly discussed from the very beginning of the coaching relationship. Miller also adds that "the highest levels of safety and comfort tend to occur in coaching relationships that are purely developmental and not evaluative" (p. 6). This ideal, of course, is difficult, if not impossible, under circumstances in which the individual has been referred to a coach for evaluative reasons.

Why is confidentiality so important in executive coaching? In essence, so that no one will know that the executive is being coached, what is going on in the coaching, or why the executive is being coached, according to Hall and associates (1999). Why the need to keep such discussions secret? Presumably, if the contents of coaching discussions were revealed in the larger organization, it could create the potential for some type of cost to be incurred by the individual, the organization, or both parties. If the client reveals ambivalence about his or her role, participation in the organiza-

tion, or effectiveness, a variety of problems regarding the client's status and credibility might emerge. In addition, some executives may experience a significant degree of shame vis-à-vis their participation in coaching.

The content of coaching discussions then may undercut important informal control mechanisms within the hierarchy. For example, if an executive leading a change program reveals a lack of confidence that he or she has the skills to lead the program publicly, the credibility of the program itself might suffer. The executive's boss would then, understandably, encourage the executive to handle such concerns discretely. Confidentiality theoretically allows the executive to explore such subversive and potentially threatening ideas without either the individual or the organization incurring a cost.

With such a dominant focus on the needs of the individual client, questions readily emerge concerning the organization's needs. It stands to reason that there needs to be some type of reporting mechanism or consultation activity directed at key stakeholders to the individual selected for coaching. Ennis and colleagues (2000), for example, believe that there is an obligation to report to the organization, but stress that the content of the report should be agreed upon in advance by both the individual and the organization. The report should also be reviewed with the executive prior to its release to the company.

Presumably, other stakeholders get feedback on the executive's progress in part through observing his behavior. Did the person change? Is he or she a more effective leader? An underlying problem is that confidentiality creates a context in which the organization will actually get very little information about what is happening in the coaching relationship and whether or not any changes that do occur relate to work activities that have taken place in that relationship.

Those authors who promote confidentiality in the coaching relationship appear to be making the intuitively appealing assumption that confidentiality is necessary to safeguard the process of the coaching and the self-esteem of the participant. Indeed, executives who have participated in coaching support this assumption (Hall et al., 1999). However, this means that what takes place in the coaching relationship actually becomes something of a "black box" to outside observers, including organizational stakeholders and to others interested in studying or replicating the intervention. They don't see what is happening; they don't understand the process. Rather, they are expected to accept the causal connection between coaching interventions and desirable outcomes on faith. Questions linger about what actually happens in the coaching relationship that requires such safeguards, beyond the executive's concerns about saving face.

Coaching Activities

There are a number of different schools of coaching technique, ranging from the behavioral to the psychodynamic (see Hudson, 1999, for a thorough review). In their empirical study, Hall and colleagues (1999) found that executives report several activities to be useful. These preferred approaches include the coaches' focus on results, balanced but mostly positive feedback, competency, empathy, and the opportunity to work with ideas that were actionable. In contrast, the executives found least useful a self-serving agenda or point of view on the part of the coach, too much negative feedback, feedback without ideas for action, and an excessive focus on feelings as opposed to results. The executives being coached tended to view the latter as an invasion of privacy.

Apparently consistent with these findings, Goldsmith (cited in Alexander, 2000) states that

> when I do coaching, I give the person suggestions. I focus my suggestions on the future, not on the past. People tend to get upset and defensive and go into denial when you talk about their previous behavior. If you focus on the future, they are much more likely to accept what you say. (p. 10)

Reports from research or practice with executives who have been coached using pragmatic intervention tactics (Alexander, 2000; Hall et al., 1999) support the assumption that coaching is most useful when it is practical, rational, and maintains an unemotional focus on actionable ideas that lead to worthwhile change. Hall and associates (1999) also stress the importance of good counseling skills such as reflective listening and expressions of caring.

Beyond that, the picture of coaching that emerges is one of the learner taking an idea that might help improve his or her performance, trying it out, and looking at the results. Interestingly, in spite of the fact that the needs of stakeholders external to the executive often serve as a catalyst for coaching, and in spite of what we can presume to be a fair amount of prior negative feedback directed at the executive from those stakeholders, the value of negative feedback is seen as minimal. Indeed, too much negative feedback, particularly negative feedback that focuses on past events, can create defensiveness on the part of the individual client.

In contrast to this intervention orientation, Kilburg (2000), writing from a psychodynamic perspective, suggests that quite a different set of intervention activities will be appropriate. These include identifying and managing "transferences," confronting and solving problems, working with emotions, and identifying and managing conflicts in the organization, in the working relationships and in the unconscious life of the client.

Of note here are several points. First, Kilburg (2000) makes the assumption that irrational and even unconscious factors may enter into the coaching relationship and that it may be necessary to address such factors for the coaching to be successful. Transference refers to the unconscious importation of feelings about other, particularly past, relationships into the client–therapist relationship, or in this case, the client–executive coach relationship. Such feelings might include a defensive fear of the coach that the client would need to cover up, a desire to please the coach as an authority figure, or a need to defeat the coach as an authority figure. The impact of these factors is not likely to be apparent to external stakeholders, especially since the relationship with the coaching takes place confidentially. Rather than focus solely on future behaviors, Kilburg also recommends a confrontation with reality, apparently assuming that focusing on the past may have some value for at least some executives. In addition, he also proposes working more actively with conflicts between the individual coaching client and those in the client's context.

In concluding this section, we highlight these two very different descriptions of appropriate coaching techniques and the assumptions upon which they appear to be based. Kilburg (2000), alone among the coaching writers reviewed, advocates the use of emotion and the confrontation with reality, no matter how painful. His technique is based on the assumption that irrational motivational or relational factors within the executive create the potential for derailment and must be addressed. In contrast, Goldsmith and other writers make the assumption that emotional defensiveness can get in the way of learning, and may not even be relevant to the future functioning of the executive. They support a rational, behavioral approach to coaching that minimizes the executive's defensiveness.

Coaching Outcomes

While there may be high expectations for enhanced executive performance, with the exception of aiding in the transfer of skills from classroom settings as described above, there has been little published research that systematically describes the outcomes of coaching interventions (Edelstein & Armstrong, 1993; Olivero et al., 1997). Again, Hall and colleagues (1999) offer the most guidance by actually providing empirical data. They describe four types of learning that former participants in coaching have reported. This framework allows executive learning to be categorized as whether or not the learning that took place had a short-term, "here-and-now" focus, or might be helpful to the executive over the long term.

As noted in Table 4.1, there is a lengthy list of short-term, performance-based improvements. We also note improvements in patience, a greater

ability to make presentations, and a greater ability to manage performance problems in others. We don't know whether or not such outcomes are sufficiently valuable to justify the cost of executive coaching. This is a two-part question that involves both the individual and the organization. There are several aspects to this question. First, do behavioral changes represent results that will indeed be only short term or more permanent? The answer to this question requires long-term follow-up. Since the executive coaching field is relatively new, however, it may be too soon too expect such data. Yet, until that time, the decision makers that bring executive coaches into their organizations must be working under the assumption that these behavioral changes do represent lasting changes.

Table 4.1. Forms of Protean Learning for Executives

Performance	*Attitude Perspective Change*
• Movement of staff to better fit situations • Staff learned to solve own problems • Executive does more mentoring, teaching (rather than doing) • Better at people management • Know how to identify and act on development needs • More focused on the objective • More effective in conducting meetings • More effective, assertive in dealing with external partners • Better at "reading" situations	• More patience • More confidence in presenting to superiors • Better equipped to deal with performance issues
Adaptability	*Identity Change*
• Executive does more observing • Wider repertoire of available behaviors • Improved relationships	• Executive is more personal • Knows self better, better able to be "heard" • Greater self-confidence • Validation of own views, performance

Source: Adapted from D.T. Hall, K. Otazo and G. Hollenbeck, "Behind Closed Doors: What Really Happens in Executive Coaching," *Organizational Dynamics* (Winter 1999), p. 49.

What we do not know, and to the best of our knowledge has not been tested, is whether or not there are positive outcomes for the organization or the key stakeholders that presumably facilitated the individual executive's referral to coaching. It is likely then that organizational decision makers, those who decide to start an executive coaching process, hold the

assumption that the behavioral improvements noted by the consultant coach translate to positive outcomes for the business.

Summary of the Literature Review

This review of the literature is summarized in Table 4.2. The summary draws attention to what appear to be the most important issues explored above and what we have inferred as the assumptions, or unanswered questions, underlying the coaching dynamic. We emphasize that these appear to be assumptions because, to date, the authors cited have understandably perhaps have not always fully articulated their actions or their assumptions.

This synthesis raises some intriguing questions about executive coaching. First, an underlying assumption is that individuals, who may be feeling quite defensive in a highly evaluative context, will be able to contract with a consultant/coach to work on significant behavioral or even personal changes that are desired by others under conditions of significant ambiguity. Second, coaches, feeling the need to satisfy both the individual and his or her organization, assume that their focus should be on a rational approach to future-oriented, largely behavioral, results. Exploration of the past, excessive negative feedback, and an encouragement of introspection are not assumed to be highly valued tools, at least for many coaches. Finally, since outcomes for the organization may be highly ambiguous, the assumption must be made that the results will benefit the organization.

Of course, not all coaches work in the ways described in the literature and many coaches are acutely aware of the issues raised here. Furthermore, not all organizational contexts are equally hierarchical or evaluative. Nevertheless, there are some fairly consistent themes that we believe can be better understood when assessed from the perspective of a broader view of how learning takes place or is inhibited in organizational life. For this, we turn to action science. Following a brief review of the basic tenants of action science, we use them to help organize the theories of action that appear to serve as a foundation for much of executive coaching.

Table 4.2. Key Findings and Assumptions from the Executive Coaching Literature

Findings from the Literature	*Assumptions Inferred from Findings*
Definition	**Definition**
• Executive coaching helps both the individual and the organization.	• It is possible to create a win–win situation in which both will find equal benefit.
Goals and roles	**Goals and roles**
• Coaching should focus on problematic behaviors as defined by the perceptions of other stakeholders. • Coaching should focus on the agenda of the executive.	• Key stakeholders perceptions have greater validity. • It is possible to create a helping relationship with the executive around a problem defined by individuals external to that individual. • For those coaches who focus on the agenda of the executive, the executive's agenda is appropriate for the organization.
Engaging and contracting for coaching	**Engaging and contracting for coaching**
• The individual selected for coaching may potentially be quite defensive. • The goals of the organization are paramount • The individual may not be clear as to the reason for the referral.	• A formal contracting process will help the executive to feel good about his or her participation in coaching and ensure his or her cooperation. • The individual executive can assertively press his boss on the reasons for the referral and gain clarity in the process.
Confidentiality	**Confidentiality**
• There is strong consensus among authors in the field that confidentiality is critical to coaching's success.	• There is something to hide or be ashamed of by virtue of participation in executive coaching.
Activities taking place in coaching	**Activities taking place in coaching**
• A rational, results-oriented approach to coaching is appropriate. Negative feedback should be used sparingly. • With one exception, no authors report addressing irrational factors in the coaching relationship.	• To disturb the executive would not be helpful, could lead to defensiveness. • Too much negative feedback is both harmful and not useful. • Irrational factors are unlikely to influence the coaching relationship.
Outcomes	**Outcomes**
• Executives report for the most part positive changes in behaviors that have an immediate impact. • No data on organizational outcomes to date.	• Behavioral changes reported by executives will be long lasting, represent "real change." • These changes translate into business results.

AN ACTION-SCIENCE PERSPECTIVE ON EXECUTIVE COACHING

Action science focuses on theories of action (Argyris, 2000; Argyris & Schön, 1978). As Argyris and Schön (1978) describe,

> Theories of action are theories that can be expressed as followings: In situation S, if you intend consequence C, do A, given assumptions a*1*, a2.....a*n*. Theories of action exist as espoused theories and theories-in-use, which govern actual behavior. Theories-in-use tend to be tacit structures...they contain assumptions about self, others, and the environment. (pp. 29–30)

Theories-in-use, then, dictate for the most part our options for action and ultimately what we do. They may or may not be consistent with our *espoused* theories, that is, those theories that represent what we believe we do or should do.

Theories-in-use are constrained by governing variable or assumptions that define appropriate and inappropriate actions. These governing variables may be explicit but they are often tacit. An example of a governing variable might be "conflict is bad." The individual acting under such a governing variable will be more likely, consciously or unconsciously, to avoid taking actions that might provoke conflict, even if that conflict could have a potentially beneficial impact. The governing variable in this sense defines what the individual will believe, consciously or unconsciously, is an appropriate theory of action. The individual may espouse the theory that conflict is useful, but the governing variable requires that conflict be avoided in practice.

Theories-in-use and governing variables have an important impact on how and what we learn. Single-loop (or model 1) learning involves the learning of behaviors that don't challenge our theory-in-use and its associated governing variables. In the example just cited, single-loop learning might involve learning new ways to suppress conflict, even if that means using intimidation, as long as the new behavior prevents the emergence of conflict. The governing variable "stay out of conflict at all costs" still holds. Double-loop (or model 2) learning, in contrast, involves the potential for change in our theory-in-use and its governing variables. In the case of conflict, double-loop learning would involve questioning the governing variable that holds that conflict must be minimized.

Argyris and Schön (1978) further described the governing variables in Model 1 theories-in-use as reflecting the need to:

1. *Unilaterally define goals and try to achieve them in order to manage the environment.* A mutual goal-setting process would result in a loss of control. "This is what you have to do." Note that there is nothing about

model 1 theories-in-use that suggests this message has to be delivered in a harsh fashion. In fact, just the contrary. The more rational the better. While ensuring that the individual's goals are paramount, the mutual participation of others is diminished.

2. *Maximize winning and minimize losing.* The individual owns and controls the task. Through winning, the individual stays in control over the task. This heightens the dependence of others on whoever is in control. Note that a win–win is quite possible under these circumstances. The win–win provides no threat to anyone's unilateral control.
3. *Minimize the generation or expression of negative feelings.* The individual strives to protect him- or herself. Taking a clear stand could be problematic. Blaming, stereotyping, suppressing feelings, and intellectualizing present a more appropriate face to others. Mistrust naturally can result, because people aren't sure as to what is true and what is not.
4. *Be rational.* The individual will strive to protect others from being hurt. Protecting others is one means of staying in control. However, protection of others can limit their knowledge and choices. Feedback, especially critical feedback, is minimal. As a result, you don't really know how you are doing.

If model 1 theories-in-use sound vaguely familiar, it is with good reason. They reflect the norms of most hierarchical organizations. Goals are decided by senior management. There is little opportunity to test the assumptions that serve as a foundation for those goals. Conduct is rational. Often, important issues aren't dealt with. Those in power may protect themselves by using their power to evaluate those lower in the hierarchy, leaving those below feeling powerless. However, those in power also own the stress of command, without being really able to enlist the help of others.

The impact on learning is substantial. The underlying theory of the hierarchy is not open to question because questioning the hierarchy would result in loss of unilateral goal setting and the potential for losing rather than winning on the part of those in charge of the hierarchy. In essence, the individual who questions the hierarchy also questions the hierarchy's governing variables, which can make the questioner appear irrational. In addition to noting the similarity between model 1 theories-in-use and the way most hierarchies function, it is also easy to see a parallel with more controlling or heroic approaches to leadership (Bradford & Cohen, 1998). The heroic leader controls the process and outcome of the team, even when doing so in an apparently humane way. In fact, in our culture, as implied above, doing so in a nice and humane way is to be applauded given society's disdain for overtly autocratic leadership.

Ultimately, leadership trends such as those that encourage strategic alliances, flatter organizations in which middle managers and direct labor have greater control, the holding of senior managers accountable, and reliance on work done by teams run counter to model 1 theories-in-use. These kinds of organizational arrangements require higher levels of trust, collaboration, and, at the same time, accountability. Executives who then are referred for executive coaching with the hope that they will be able to develop a more participative leadership style, a common developmental goal in executive coaching, are put in the awkward and ironic position of having to question the tacit assumptions that make up the theory-in-use that led to their referral in the first place. "I order you to be participative" is the message delivered through the executive coach. The client can then be expected to approach this task in a model 1 fashion. ("Teach me how to do it right.")

Examining and changing one's theory-in-use requires model 2 governing variables, not developing a more socially acceptable (i.e., nicer and more humane) way of being in unilateral control. A leader can, in fact, seem to encourage more participation simply by being more patient. His followers will, unless he is too intimidating, eventually speak up. However, the real work of sharing control, of modifying ideas, and of being open to the influence of others requires more than just patience. This requires letting go of important hierarchical assumptions such as the leader is always the one in charge.

This is made more difficult and less likely by virtue of the fact that it may not seem necessary. Model 1 theories-in-use do achieve desirable results. For instance, if a very outspoken manager learned to be more patient and a better listener through coaching, perhaps through learning to "shut up," his or her colleagues will likely be pleased. However, we would have to assume that the manager was outspoken and impatient for some reason and this reason may not be dealt with in coaching that is solely aimed at building the skill of suppressing one's urge to speak. Indeed, if this manager has learned to suppress his urge to speak because he knows that his own boss is upset with his management style, the manager will actually have learned more about submitting to authority than really engaging in a give and take with others that might enhance his team's ability to be innovative or to solve problems.

Model 2 theories-in-use are governed by a distinctly different set of variables. These include:

1. *The pursuit of valid information.* Rather than being protective of self or other, the learner tolerates or even encourages difficult questions and seeks opportunities to find answers to those questions. Genuine feedback is sought out.

2. *Learning in a context of free and informed choice.* Goals are set jointly. Defensiveness is minimized. The questioning of underlying assumptions is expected.
3. *There is internal commitment to the choice and a constant monitoring of its implementation.* Participation is truly voluntary. What is protected is the search for valid information and free and informed choice. Norms encourage learning. Trust is high. Information is made publicly available.

It is important to note that most organizations espouse a theory of action consistent with model 2 governing variables. Their actual theory-in-use, however, is usually closer to model 1. The transition from model 1 to model 2 is not easy, especially given the fact that model 1 theories of action can lead to the resolution of some problems and thus appear to be adequate to most tasks. Argyris and Schön (1978) suggest that the transition to a model 2 theory-in-use is likely to be disruptive. In order to change, however, the individual or organization must be able to tolerate the discomfort that accompanies acknowledging and experiencing such an inconsistency. The more human tendency is to defend against this awareness through the use of various psychological or political responses. Feedback, after all, can be both denied and sabotaged.

THEORIES OF ACTION AND EXECUTIVE COACHING

Reflecting on the six areas explored in the literature review, a number of questions emerge concerning the extent to which executive coaching actions are guided by model 1 or model 2 governing variables. These questions have important implications for how organizations respond to and executive coaches intervene in situations involving a derailing executive.

Definition of Executive Coaching

Executive coaching suggests a "win–win" orientation for both the individual and the organization. The hierarchical context of most organizations, however, may make commitment to this supposed "win–win" difficult for the executive being referred for coaching. The executive's and the organization's participation in coaching may not result in a win–win outcome for either or both parties and indeed, neither may understand what a "win–win" decision would mean in practice. The executive may not even know why he or she is being asked to participate in coaching and the organization may not understand what coaching will do, specifically, for the

executive. Under those circumstances, a significant "lack of valid information" problem can emerge for both parties. For the executive a commitment to learning becomes difficult. The result can be compliance to the directives of the hierarchy (the boss), a model 1 response.

This situation represents a very real dilemma for consultants, executives, and organizations. If the problem involves solely an executive's personal style, abrasiveness for example, then all parties may be able to describe what an ideal outcome would look like so that each could then make an informed decision as to whether or not to proceed with the coaching. The problem becomes much more difficult, it would seem, with less individualized or less tangible performance problems such as failure to build a team or a lack of strategic vision. The executive and his or her boss or other stakeholders would have to provide much more concrete feedback to the target of the coaching referral to educate that person as to the requirements of the job. Even with such attention to feedback as preparation for the coaching engagement, we are still faced with the problem of whether or not the executive will accept the definition of a problem, from someone else, as a reasonable win–win goal.

Goals and Roles

Commitment to a goal based on the perception of others will likely be possible only if the information provided by those others is seen to be valid and if the executive can tolerate what ultimately must amount to a fundamental questioning of his theory-in-use. For instance, feedback from 360-degree data may suggest that the executive is not seen as being effective at sharing authority. If the executive doesn't question the theories-in-use that govern this behavior, but rather simply looks for a behavioral "fix," model 1 learning will take place. As we have already noted, coaching that focuses solely on the modification of specific behaviors as defined by others may be more consistent with a model 1 approach to learning than a model 2 approach. The executive is likely to learn only to suppress his or her natural tendency that likely will not result in increased participation by team members in decision making. That would require model 2 learning.

Those coaches who propose a broader focus on the executive's agenda or vision might be seen as encouraging the conditions for model 2 learning. The executive may indeed begin to ask some fundamental questions or reflect more deeply on past mistakes. However, if this is done in a context in which the competence of the individual executive is in question, the executive may have difficulty bringing such difficult questions or reflections back into his work. The fundamental question regarding the role of executive coach is then the degree to which he or she views the role as that

of enforcing the assumptions of the hierarchy or that of trying to help the executive reach goals to which that person is fully committed.

Engaging and Contracting for Coaching

The challenge of building commitment, of course, begins with the contracting process. The contracting processes described in the coaching literature suggest the importance of defining concrete, results-oriented outcomes. Generally, no mention is made of what might be considered model 2 problems—the basic assumptions of hierarchical life. Consider the executive's situation. He or she may be feeling defensive, blamed, and negatively evaluated for behaviors that represent tacitly held, and prior to this time successful, theories-in-use. Such hierarchical pressures can be communicated by one's boss in either a benign or harsh fashion. Indeed, in many organizational cultures, such pressures don't even have to be verbally communicated. They are taken for granted. Encouraging the individual selected for coaching to open his mind to what seems politically correct may be helpful in the short term but simply reinforces a lesson in model 1 learning.

Ironically, the spirit of the contracting process as conveyed in the literature on coaching stresses that the contracting process is seen as a vehicle for overcoming hierarchical pressures to conform. Contracting implies free and informed choice, followed by commitment once the contract is signed. Hierarchical pressures, especially in the absence of valid information, make this spirit of commitment very difficult to achieve. While most authors encourage the executive to be assertive in the contracting process, such actions could contradict the governing variables of the hierarchy. This would be particularly likely to occur if the executive questions the reason for the referral or suggested that the problem was not his own but involved other stakeholders as well.

Confidentiality

Confidentiality appears to be a reasonable response to a threatening situation. Yet, if hierarchical governing variables, those associated with model 1 learning, were not in force, would confidentiality even be necessary? Indeed, coaching clients don't always want confidentiality. Some openly talk about what they are learning with their staffs. We would suggest that such interactions are more likely to take place when model 2 assumptions prevail in an organization or work group. Interestingly, confidentiality can rob the organizational client of valid information and the shared responsibility for monitoring joint commitment to the project.

Nevertheless, it would be irresponsible of us (perhaps responding to our own model 1 theories-in-use) to recommend that the practice of confidentiality in executive coaching be abandoned. Our intent here, however, is to draw serious research attention to this as an important concern.

Coaching Activities

The rational and results-oriented approach to coaching does appear to track with model 1 theories-in-use. The literature suggests that many coaches are concerned about introducing the irrational (or upsetting) into the coaching relationship. In part, this is understandable. Coaches may be working with a very defensive client who is working under tremendous time pressures. Managing such a relationship can be difficult at best. Many coaches are also concerned about the need, in their view, to draw a clear line between coaching and psychotherapy. If the coach deals with difficult issues from the past, as is recommended by Kilburg (2000), both executive and coach may find it difficult to draw such a clear distinction.

Argyris (2000) and Argyris and Schön (1978) indicate that questioning model 2 theories-in-use learning can be an upsetting business. Deeply held beliefs may need to be challenged. Nevertheless, more significant change often requires such a confrontation, either with the inconsistencies in one's theory-in-use, or conflicts between one's theory-in-use and one's espoused theory. The individual who truly believes in participatory management as a moral imperative, for instance, can become quite upset when confronted with the fact that his behavior runs strongly counter to that vision. Yet, if the problem is substantial, he must address that gap and deal with the guilt and shame to which he has inadvertently exposed himself.

Outcomes

The outcomes noted by Hall and colleagues (1999) are somewhat consistent with what we would expect to find from a model 1 learning program. Behavioral outcomes are emphasized. It is encouraging to note that some longer-term changes may have taken place as well, particularly those that encourage personal reflection and self-observation. Yet, what is most striking about the issue of outcomes is the real paucity of research on organizational outcomes. We are not necessarily advocating an ROI analysis of executive coaching though that might prove valuable. However, the lack of attention to valid information that is implied by the lack of interest in organizational outcomes suggests that perhaps there is an unconscious collusion, on the parts of executives, organizations, consultants, researchers, and

management professors not to know, or make clear connections between, the activity, coaching, and its consequences. Why might this be the case? One reason, among many, has to do with an observation from our clinical practice. If an executive is derailing, his or her boss or other key individuals within the organization genuinely would like to be helpful. They may see a coaching referral as a valiant attempt to do the right thing. Sometimes it may work. However, what they may not realize when taking such action is that the executive's problems may not reside solely within the executive but also reflect something important about the executive's context.

THE ART OF EXECUTIVE COACHING

First, it must be restated that we are drawing on a limited literature from which to base our conclusions. Coaching requires a great deal more attention from the scholarly community (in addition to those who market coaching) than it has received to date. Before discussing the research implications of this analysis, we will outline several important practice issues that emerge from the perspective presented here.

At its heart, this analysis raises, we believe, the question of whether or not executive coaching should have as its goal learning and personal development, or compliance. A case can be made for both. The argument for compliance or model 1 learning is fairly straightforward. We all have to come to grips with the demands associated with our roles. Some of these demands are absolute and our ability to comply with them will determine whether or not we continue in our jobs or on our chosen career path. It seems reasonable that an individual struggling with the absolute demands of his or her role could productively use the help of an executive coach to build critically needed skills. Some derailing executives might be appropriate for such an intervention.

The more intriguing question is whether or not the focus on compliance with role demands leads to superior performance in a job or a career. A related question for executive coaches is whether a coaching model that focuses on model 1 learning limits the ability of executive coaches to create "breakthrough" results for executives and organizations. Research on high performance work teams suggests that the leader plays but one part in the success of such teams (Farias & Varma, 1998). Team members, the team's task and context, and the team's resources are just a few of the factors that also determine the outcome of a team's work. High performance depends on harnessing all of these factors in the interest of what the team is trying to accomplish. The failure of a team to achieve high levels of performance then may require attention to the actions and skills of the leader, but it may also require attention to the context within which the leader works.

When an executive is derailing in his or her role, a question that has to be raised is whether or not the problem is the executive's (sometimes it is) or the system within which the executive works (which is often the case at times as well). For reasons already described, this can be a difficult question to answer given the role that context appears to play in how executive coaching is practiced, at least with derailing executives. The hierarchical business context p its its stamp on how we approach the definition of problems, the coaching contracting process, the role of confidentiality, and the actions of executive coaches. That being said, this analysis suggests several important considerations for the working executive coach who is called upon to help a derailing executive.

1. As Noer (2002) has suggested, the executive coach should take care not to collude with the executive's boss in the management of the referral process. Collusion here refers to actions that might inadvertently encourage the boss to avoid providing the executive appropriate feedback or to ignore the executive's interests and needs (by putting the executive in the wrong role over his or her objections, for instance). Collusion might also involve encouraging the boss to prematurely reach a conclusion as to the nature of the problem. The boss should have had repeated discussions with the executive regarding the nature of his or her perceptions of the executive's performance problems. It may be appropriate for the executive coach to facilitate such discussions, if necessary, before taking on the executive as an individual client.
2. The executive coach may need to explore with both parties the nature of the "win–win" outcome that they seek, and proactively address the possibility that such a result might not be possible. The two sides may have divergent goals. It is important to consider, in this regard, whether the real goal for the consultation is compliance on the part of the executive or personal and/or organizational development. The latter likely requires mutual goal setting, free and informed consent, and valid information.
3. If the real goal of the consultation is not only compliance but personal and organizational development, it may be necessary to help both parties come to grips with a certain degree of ambiguity regarding what each might accomplish, particularly at the early stages of the coaching consultation. It may take time for the executive to determine what his or her agenda is with regard to the role in question, for example.
4. Related to the above point (3), the executive coach can look for opportunities to create model 2 learning by making it possible for the executive and key stakeholders to hold a two-way dialogue about

their interactions. If the representatives of the organization are not willing to engage in such interaction, then it is possible that compliance will take place without significant change on the executive's part. (That may not be a bad thing, but the coach and the parties involved in contracting for coaching should consider the possibility.)

5. In the interest of informed consent, if model 2 issues are to be addressed, all key stakeholders should be aware of the need for their involvement and understand that addressing model 2 governing variables may be disruptive and upsetting.

This set of suggestions rests on hypotheses at this point. All need to be studied in the field to determine if they are sound. We would suggest, however, that this analysis also raises questions about how coaching in the workplace is construed on a larger scale. In interviews with executive coaches, we found, perhaps not surprisingly, many coaches who told us that they would prefer not to take cases in which they were being called in solely to help a derailing executive. We cannot say how widespread this feeling is, but we found a number of seasoned coaches who preferred to work as part of a larger strategic change or organizational development effort for many of the reasons we outline here. They found the role difficult and ambiguous and were often suspicious of the motives of the participants during the contracting process.

Moving the lens to an athletic context offers another vision of what executive coaching might look like. In sports, everyone has a coach. There is absolutely nothing confidential about it. One sees highly paid, experienced athletes being coached on nationwide television. The coach deals with both behavior and, especially when working with scholastic or collegiate athletes, personal development and character building. No one complains about such a broad scope; indeed, the dedicated coach who is good both on and off the field (e.g., John Wooten) is an object of adoration. Sports teams are relatively flat organizations. There is a distinct hierarchy—the coach and everyone else. On the field, however, for the most part, the sports team is self-managed. Everyone, except the other team, has valid information. Commitment is stressed and you have to want it (informed consent) to be there. This context would appear to be good territory for model 2 learning. Note the excitement that occurs for the team and the spectators when the team does something really different and has a breakthrough as a result.

This is clearly a rather radical solution, to make coaching available to everyone, following the athletic model. The expense of such a proposition could be substantial but some organizations (e.g., Sun Microsystems, Southwest Airlines) have begun to experiment with making career coaching widely available. We are also aware of at least one high technology orga-

nization that is building its human resource strategy around the coaching provided by internal coaches. What we suggest here is that if coaching is to be successful in creating model 2 learning and live up to its marketed potential as being capable of significantly furthering executive and organizational development, it may be necessary to think radically about how coaching is delivered. Can executive coaching for individuals be delivered in a fashion that both distinguishes it from other organizational development efforts and yet doesn't inhibit the possibility of model 2 learning?

From a research perspective, we would reiterate the importance of developing a set of clear propositions regarding what constitutes appropriate coaching practice so that these propositions can be subject to more robust research. We believe that the underlying assumptions we have tried to articulate represent one approach to developing such propositions. Coaching practitioners must be willing to state clearly what they are trying to do, why, and how, so that the effectiveness of various practices can be explored.

Based on our assessment, we see the following as critical research questions:

- What kinds of problems are appropriate for a compliance-oriented approach to coaching?
- What kinds of problems are appropriate for a model 2 learning orientation to coaching?
- Given the challenging circumstances under which referrals for coaching are typically made, how can the nature of the problem be effectively assessed?
- If one assumes that a "win–win" outcome is not always possible for the executive and organization, how should goal divergence, which may evolve over time, be managed?
- Is there a place in executive coaching for work that is driven by the personal agenda of the executive?
- How does the management of confidentiality influence the nature of learning that takes place in executive coaching?
- How does confidentiality affect the executive's relationship with other parties in his or her context?
- Should executive coaches spend time helping their clients deal with irrational thoughts and feelings about their jobs or their organizations?
- Should they help their clients address work and family balance issues?

Ultimately, we may find that we are dealing with two very different kinds of coaching that function by two different sets of governing variables and are conducted by very different processes in very different contexts. If that

is the case, it should be useful to all involved in executive coaching to be able to state clearly which kind of coaching is needed/desired for which kind of problem(s).

NOTES

1. James M. Hunt is supported by the Charles E. McCarthy Family Trust Term Chair at Babson College. An earlier version of this chapter was presented as part of the Management Consulting Division's program at the Academy of Management Annual Meeting, Washington, D.C., August 2001.
2. In this chapter, we will not be exploring executive coaching that is provided as a supplemental intervention to an open-enrollment or custom classroom-based executive education program (see Guthrie, 1999, for a description of such supplemental coaching activities). Outcome studies suggest that such an integration of coaching follow-up to a classroom activity can be quite effective (Edelstein & Armstrong, 1993; Olivero et al., 1997). We will also not be analyzing what can be called strategic executive coaching, provided to executives or whole organizations undergoing major change.

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CHAPTER 5

OUTSOURCING STRATEGIC DECISION MAKING

Opportunity or Constraint?[1]

Ginka Toegel

According to Greek mythology, Hercules had to perform Twelve Labors, the most challenging of which was to take the golden apples from the garden of the Hesperides. As a dragon guarded the garden, he wisely decided to delegate the performance of this task to Atlas. In return, Hercules agreed to hold the Earth on his shoulders for Atlas until the latter returned with the apples. Using contemporary managerial vocabulary, we could say that Hercules "outsourced" the most strategically complex aspect of his Labor. Although the term itself might be a recent invention, the practice of outsourcing has a long tradition, both in myth and reality.

The Harvard Business Review proclaimed outsourcing as one of the most important management ideas and practices of the last 75 years (Corbett & Associates, Ltd., 1999). Research by consulting firm Corbett & Associates, Ltd. (1999), shows that spending by U.S. organizations on outsourced business services was forecasted to triple from $100 billion in 1996 to $318 billion by 2001. Since outsourcing was predicted to represent 19.5 percent of the typical executive's budget in the year 2000, the report underscores that "outsourcing has become the *de facto* model for today's modern organization" (Corbett & Associates, Ltd., 1999). As executives are increasingly realizing the limitations posed by internal resources, they are feeling the pressure of the imperative "to do more with less" and the need to do things

faster and better than ever before. In this scenario, the growth of outsourcing seems to be unstoppable. But *what* can be outsourced? Is it possible to subcontract anything and everything? My contention is that the limits are very elastic and some of our traditional views will be challenged in the near future.

This chapter seeks to show that outsourcing decision making to a consulting firm can be both an opportunity and a constraint. First, the trend toward outsourcing is explored. Second, the efficiency of outsourcing decision making is analyzed. Third, I suggest that the relationship between the degree of decision-making outsourcing and its efficiency is a curvilinear one. As the number of companies that outsource decision making grows, an isomorphic effect swamps efficiency, making outsourcing less attractive to other companies. Thus, it appears that there is a reciprocal relationship between the context, resulting from outsourcing decision making, and its effectiveness. The chapter concludes with an exploration of the implications of this proposition for consulting practice.

WHAT IS OUTSOURCING OF DECISION MAKING?

Managers can make decisions by themselves, delegate the decision making to others, or postpone making a decision, in essence deciding not to make a decision. According to *rational* theories of decision making (Mintzberg, Raisanghani & Theoret, 1976; Simon, 1997), actors enter the process with defined objectives. They process information, develop alternatives, and, based on these frameworks, select the best one. Within this context, strategy formulation is a decision-making process (Fredrickson, 1984) that unfolds in stages. Discussing the "anatomy of decision," Simon (1997) defines decision making as a process by which one alternative is selected to be carried out. According to this formulation, decision making has a *sequential character.* While there are different classifications of these stages, broadly speaking, they can be summarized (Schwenk, 1984) as (1) identification of the problem, (2) generation of alternatives, (3) evaluation of the alternatives, (4) selection of the best alternative, and (5) implementation of the selected alternative.

This approach thus suggests that the decision-making process is fragmented and, subsequently, its parts can be delegated outside the company, to a consulting firm, for example. For the purpose of this analysis, *the practice of delegating parts of the strategic decision-making process to a consulting company will be defined as outsourcing of decision-making.* As Figure 5.1 suggests, outsourcing can be conceptualized as a temporary expansion of the company's boundaries, which are defined by the shared information. In terms

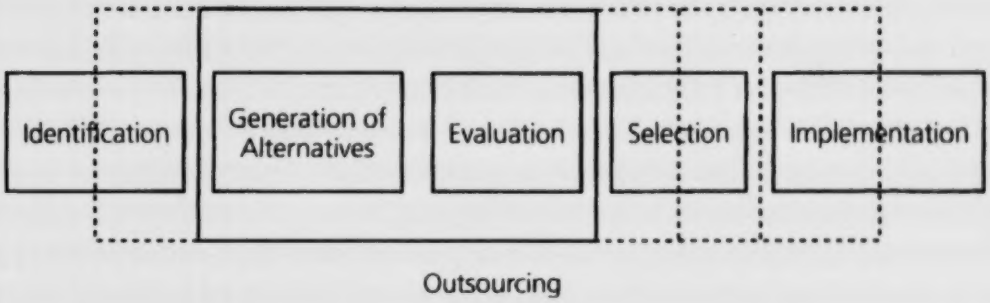

Figure 5.1. Stages of the decision-making process.

of the process of consulting, the boundaries of the company become permeable in order to absorb the uncertainty of top management.

THE TREND TOWARD OUTSOURCING

Outsourcing can be defined as the use of an outside partner to perform an activity that traditionally would have been performed inside the company (Greer, Youngblood & Gray, 1999). It is the nexus of two powerful theoretical ideas: transaction cost economics (Williamson, 1975) and core competencies (Prahalad & Hamel, 1990; Quinn, Doorley & Paquette, 1990). Outsourcing is a management tool for shifting the boundaries of the organization depending on the transaction costs. In essence, there is a purchaser, a provider, and a transaction process between them (Domberger, 1998). Quinn and Hilmer (1994) argue that companies should concentrate on what they do "best in the world," focusing on their core competencies and strategically outsourcing other activities. In their view, the balance of benefits has shifted from vertically integrated "insourcing" strategies to outsourcing.

If a company does not possess all the capabilities it needs for successful strategy formation and implementation, it has three ways to cope with this problem (Barney, 1999):

1. It can use market or intermediate governance, cooperating with other firms that have the capabilities needed (nonhierarchical governance).
2. It can develop those capabilities on its own (hierarchical governance).
3. It can acquire another firm that has those capabilities.

Barney (1999) argues that creating capabilities is costly because they may be socially complex, they may depend on unique historical conditions, or the process of their creation may be path-dependent and causally ambigu-

ous. However, acquiring a firm that has the capabilities needed can be costly as well. Bureaucratic (internal) transaction costs have been continually increasing over the last decades (Wallis & North, 1986), thus nonhierarchical governance might be the best way to gain access to the capabilities needed. As a result, the "centrifugal philosophy" of outsourcing (Deal & Kennedy, 1999) is embracing literally everything from accounting operations to product design functions, to information technology (IT) and human resource management (HRM) services, to maintenance tasks. Meanwhile, no industry or function seems to have any monopoly on outsourcing. Even intellectual or innovation outsourcing and contracting strategic planning activities are highly recommended (Christensen, 1997; Kiely, 1997; Quinn, 2000). Subcontracting has become a global phenomenon and most companies no longer ask the question whether or not to outsource, but rather *what* can be outsourced.

Consultants can be conceptualized as professionals who provide nonresident, knowledge-intensive services (Sharma, 1997). In this case, firms temporarily redraw their boundaries in order to gain flexibility and highly diverse expertise. They adjust the volume and quality of brainpower needed for strategic decision making and improvement of their "gene pool" of capabilities. What is gained is organizational intellect: "cognitive knowledge (or know what), advanced skills (know how), system understanding and trained intuition (know why), and self-motivated creativity (care why)" (Quinn, Anderson & Finkelstein, 1996, p. 7). Since the value of a firm's intellect increases as one moves along this continuum (from "know what" to "care why"), executives might outsource some of the elements in order to focus on others. For example, while getting data on patents, the production capacities of competitors, or performance data for different markets can be hugely labor intensive, such efforts correspond to the low end of the organizational intellect scale. Consequently, companies can outsource "knowing what" in order to focus on systems and motivational and creative skills.

There is, however, another explanation of the tendency to outsource strategic decision making. There are situations when executives might perceive control as undesirable. If companies face serious threats and top managers associate their control with a low probability of achieving desired outcomes, control could be perceived as aversive (Burger, 1989). Similarly, if executives feel that they cannot cope with the situation and anticipate their actions to be under scrutiny, they may find control undesirable. Therefore, "certain circumstances evoke a desire ... to give control over to others" (Fiske & Taylor, 1984, p. 204). Consequently, executives might decide to outsource the strategic decision-making process to a consultant.

OUTSOURCING DECISION MAKING AS AN OPPORTUNITY

There are a number of reasons why outsourcing strategic decision making could be more efficient than keeping this process "in-house." The following analysis applies the cognitive perspective to explore this argument. It suggests that delegating the strategic decision-making process to a consulting company improves the quality of decisions and has certain benefits, because specialization increases expertise, outside perspective counteracts biases and cognitive limitations, the minimization of interdependencies lowers transaction costs, and the conserved executive attention can be redeployed in problem identification and implementation of solutions.

The Cognitive Perspective

The idea of efficiency is the "analytical spine" of Simon's sequential process reasoning. Simon (1997) notes that "the criterion of efficiency dictates *that* choice of alternatives which produces the largest result for the given application of resources" (p. 256). The following arguments in favor of the efficiency of outsourcing of decision making are based on his view.

Specialization Increases Expertise and Scale

Specialization is the basic administrative principle that enhances efficiency. According to this tenet, each decision should be made at the point where it can be made most expertly. Hence, decision making should rest with those who have the greatest probability to come up with the best alternative(s) and comparatively evaluate their consequences. For the purpose of this analysis, this conclusion could be expanded to include those outside (as well as inside) the company. Therefore, consulting firms, which specialize in the generation of alternatives and their evaluation, might be more efficient in some stages of the decision-making process in terms of increased expertise and scale.

Restraining Cognitive Limitations and Biases

Efficiency is determined by the contribution of every single member of the organization, which depends on the individuals' limits to perform and to make correct decisions. The latter depends on the speed of our mental processes, skills, and habits. There are limits to the amount of knowledge that human minds can accumulate and apply and the quickness with which this knowledge can be assimilated. Simon (1997) notes that administrative theory is "the theory of intended and bounded rationality—of the behavior of human beings who satisfice, because they have not the wits to maximize" (p. 118). For our analysis, his argument that decision makers are con-

strained by the complexity of modern organizations and by their own limited cognitive capacity is quite relevant. Managers choose without examining all possible alternatives, relying on simplifications and rules of thumb. He argues that "at any given time we notice only a tiny fraction of the opportunities that are objectively present, and only a small part of the problems" (p. 123). The choice among alternatives is determined by the knowledge about their consequences, the necessity to co-ordinate one's own behavior with that of others, and the evaluation of preferences for a definite set of consequences.

Within this context, it is obvious that sufficient means adequate rather than optimal solutions, because actors lower their aspirations. In addition, the issue on which we have to decide might be unclear or subjected to different interpretations, the information on alternatives may be missing, may be incomplete or misunderstood, the criteria for the selection of the best alternative may be uncertain or arguable, the alternatives are not simultaneously but sequentially evaluated, or we may use simplified rules and heuristics. To this sad picture we have to add the limited and finite time and energy of the decision maker. The result is that managers operate boundedly rationally. That would not mean that executives are irrational when they make decisions. On the contrary, they try their best to be rational, but individual and environmental constraints often prohibit it. Often, top managers are trapped by certain biases like availability, representativeness, framing, selective perception bias, illusory correlations, and wishful thinking (Tversky & Kahneman, 1973). Thus, bounded rationality makes the idea of outsourcing decision making even more appealing, since consulting companies contribute to the elimination of organizational biases in the decision-making process. Because of their transorganizational experience and impartiality, they offer a more "objective" perspective, hence improving the quality and reliability of the decision. It especially makes sense to outsource the second and third stages of the decision-making process, since these phases suffer most under bounded rationality constraints.

Decentralization and Minimization of Interdependencies

The notion that complexity strongly influences decision making is the theoretical fabric of the cognitive perspective. Simon (1996) defines complex systems as "systems made up of a large number of parts that have many interactions" (p. 183). Thompson (1967) and Galbraith (1977) argue that systems that comprise more elements create uncertainty since more information has to be processed and the higher level of interdependency complicates the task of coordination. The larger number of units makes mutual adjustment within and between them more difficult, creating the necessity for integrative devices, such as liaison positions, task forces, and standing committees, integrating managers and matrix struc-

ture carriers (Mintzberg, Quinn & Ghoshal, 1998). Backward and forward vertical integration as well as horizontal integration contribute significantly to the complexity of contemporary organizations.

In order to evaluate the potential for synergy, the nature of relatedness (Chatterji & Wernerfelt, 1991; Prahalad & Bettis, 1986) has to be analyzed. Opportunities for resource leveraging (e.g., resource reallocation, replication, or pooling) or strategy alignment (de Wit & Meyer, 1998) have to be identified. Under these circumstances, choices have to be made among a greater number of possible combinations. Some authors (e.g., Bennis, 1998) speak about "raplexity" to signify even more sophisticated complexity when intertwined with the rapidity of change. Internationalization brings another set of contingencies that contribute to complexity (Hofstede, 1980), because in addition to the increased number of units, differences in culture have to be considered as well. If we take all these together, we can agree with Simon (1997) that literally every second, managers are drowning in information. As he further suggests, post-industrial organizational decision making "shows every sign of becoming a great deal more complex than the decision-making of the past. As a consequence, the decision-making processes ... bulk larger and larger as the central activity in which the organization is engaged" (p. 239). What is needed, in his opinion, is a factorization that minimizes these interdependencies and permits decentralization of the decision-making process. Outsourcing of decision making helps fulfill these two requirements, since some stages of the process are delegated outside the company.

According to Mason and Mitroff (1998), complexity means the condition of being tightly woven or intertwined. Interestingly enough, they argue that we have few intellectual tools for coping with "organized complexity" in which deviations in one element can be transmitted to other elements. However, it is exactly the case with diversified modern organizations, where problems cannot be isolated for separate treatment, since solution of one of them creates ambiguity somewhere else in the system. In large organizations, if the decision-making process is carried out internally, substantial resources are required for monitoring costs and efficiency. As Perrow (1979) puts it, "The greater the degree of bureaucratization, the greater the delegation of decision making" (p. 151). Outsourcing can thus be regarded as a part of an optimization process, which economizes on transaction costs (Williamson, 1975) and leverages the experience of consulting companies in an effort to "tame" organized complexity.

Ashby's (1956) law of requisite variety adds an interesting perspective on the relationship between complexity and outsourcing of decision making. His premise holds that the system regulating variety must be as complex as the system that is intended to be regulated. In this case, outsourcing will

mean increasing the capacity of a decision-making unit to generate alternatives (Husted, 1993).

In sum, outsourcing of decision making is an optimization process, in which transaction costs are economized. It is beneficial for complex organizations, because it minimizes interdependencies and permits decentralization. At the same time, outsourcing of decision making means an increased capacity to generate alternatives, which enhances the regulatory capabilities of the system.

Conservation of Executive Attention

Today information is no longer scarce. Yet, while there may be an accelerated flow of data, "a new scarcity has been created: the scarcity of human time for attending to the information that flows in on us" (Simon, 1997, p. 22). In essence, it has become increasingly difficult to cope with the glut of data that literally surrounds us. In Simon's (1997) view, as we move to the top of the organization, the bottleneck of attention becomes narrower and narrower and the processing capacity becomes less easy to provide.

The job of top managers is characterized by a great many stimuli for decisions, which come from the outside: "innumerable other persons, problems, and things are constantly being forced on his attention" (Simon, 1997, p. 103). Outsourcing of decision making thus helps conserve part of the executive's attention, so that more time and energy can be devoted to other needs, such as the identification of problems and the implementation of solutions.

An interesting twist in management theory is the literature on reliable systems. Weick (1987) argues that when the environment becomes unstable, there is a need to initially make meaning in order to see what there is to decide. Therefore, the job of the manager is to interpret (Daft & Weick, 1984). Outsourcing decision making gives top management the opportunity to redistribute a scarce resource (attention) and channel part of it to the process of sense making, since problems have to be named and prepared for organizational processing. To exploit the basic principles of reliable systems further, it could be argued that outsourcing of decision making creates a certain level of redundancy or slack, which is beneficial in moderate amounts. Nohria and Gulati (1996), for example, argue that too little slack discourages experimentation, while too much of it breeds complacency and lack of discipline. Therefore, both a lack and excess of slack can have negative repercussions for organizations.

In sum, the cognitive perspective suggests that outsourcing of decision making is efficient and could be considered an opportunity for executives. First, specialization in certain stages of the decision-making process leads to efficiency. Since consulting companies specialize in renting a knowledge source (Davenport & Prusak, 1998), they can offer an increased expertise

and scale, especially in the generation of alternatives and in their evaluation. Second, outsourcing decision making counterbalances the cognitive limitations and biases of top executives, improving the quality and reliability of decisions. While one might argue that consultants are also boundedly rational, the nature of their work liberates them from some of the constraints experienced by executives, and Kahneman and Lovallo (1993) give evidence that an outside view is superior in terms of predicting what is going to happen. Third, outsourcing decision making optimizes the process through decentralization and minimization of interdependencies. It economizes on transaction costs and helps tame organized complexity. The creation of an "objective perspective" is an additional plus. Finally, the conservation of executive attention can be redeployed in other stages of the decision-making process, enabling top managers to dedicate more time to their sense-making functions.

The Agency Perspective

If outsourcing decision making is efficient, companies should have incentives to do it more frequently and over a longer period of time. There are, however, a number of agency problems that must still be resolved.

An agency relationship arises whenever one individual depends on the actions of another (Pratt & Zeckhausen, 1991). In this case, the principal delegates work to the agent via a contract, and the organization becomes a nexus of contracts and agreements (Jensen & Meckling, 1997). Within this context, a consultant could be considered to be the agent and top management to be the principal. One of the basic premises of agency theory is the existence of information asymmetry, since the agent knows more than the principal. Problems like moral hazard and adverse selection arise because of the triad risk aversion, self-interest, and bounded rationality (Eisenhardt, 1989). Consultants, for example, may misrepresent their abilities (adverse selection) and claim to have certain skills because of their self-interest to be hired. Sometimes, they might overestimate their capabilities because of limited cognitive capacity. Consultants may also shirk (moral hazard) and not put forth the effort they are obliged to according to the contract. Agents and principals have different attitudes toward risk. Principals' risk aversion determines their preference of outcome-based contracts, since it is difficult to check how diligent the consultant has been and how much effort he or she has put into the project. Agents' risk aversion, on the other hand, makes them prefer behavior-based contracts, where remuneration does not depend on the performance. In sum, delegating work to an agent could be quite problematic. However, Whyte (1991) claims that

agency is a solution, not a problem, in essence a "neat kind of social plumbing" (p.188).

If the principal can monitor agent behavior through certain mechanisms (e.g., peer control within the professional community in which the agent is embedded) in order to be sure that the agent behaves as stipulated in the contract, the information asymmetry on the principal side is reduced. The problem is that such monitoring mechanisms are costly. An alternative solution is to have an outcome-based contract. This option transfers the risk from the principal to the agent, since the outcome is more or less affected, but not completely determined, by the agent's action. According to Canback (1999), the relationship between consultants and companies will grow stronger and more symbiotic, largely because of prospects of long-term cooperation based on an increased use of success fees. There is also an additional argument in support of this view. If we draw a more complex picture of human agents than provided by traditional theory, we will recognize the social embeddedness of professional agents who "take pride in their craft and are attracted to the calling to serve the public" (Sharma, 1997, p. 773). Control by knowledgeable peers and self-control put some restraints on the agent's opportunism. In the process of exchange, professionals as agents also have power over the principal "by virtue of their expertise, functional indispensability, and intrinsic ambiguity associated with the services they provide" (Sharma, 1997, p. 768).

Taken together, these arguments lead to the following conclusions. First, as a solution to agency problems, outcome-oriented contracts will become increasingly frequent in consulting projects. This change, in turn, will increase the propensity of executives to outsource decision making as less monitoring of the agent's efforts will be necessary. Second, since there is pressure for simple contracts, repeated relations with one consultant (or consulting company) will allow the principal to keep track of past outcomes. The threat to the agent of losing a large stock of value (such as reputation) will keep the cooperation stable. The stake agents have in each transaction is increased by the establishment of a long-term relationship. As Sharma (1997) has suggested, the "professional agent is less likely to behave opportunistically when the transactions with the same principal firm are linked intertemporally for the same service product or linked crossed-sectionally across several service products" (p. 788).

Thus far, I have taken the position that outsourcing decision making leads to efficiency, and hence can be considered by top executives to be an opportunity. Outcome-oriented contracts also solve some of the agent problems, so that a long-term agent–principal relationship is meaningful. This analysis, however, is based on a static view, which does not take into consideration the dynamic created in an organizational field where the majority of companies outsource decision making and, as a result, consult-

ing becomes institutionalized as an industry. Consequently, this new position of management consulting companies gives them the power to significantly influence the choices firms make within a certain organizational field. Under conditions of uncertainty, companies tend to imitate models promoted by "fashion-setting organizations," like consulting firms, for example (Abrahamson, 1991).

OUTSOURCING DECISION MAKING AS A CONSTRAINT

During the last decade, a real "fusion" between management and consulting has taken place, with a dramatic shift in the balance of influence. It would not be an exaggeration to argue that we are witnessing an institutionalization of consulting and the latter is expanding on a massive scale. There is considerable evidence (e.g., Canback, 1998) illustrating the growing impact of this phenomenon. In 1980, the consulting industry had worldwide revenues of $2 billion. By 1997, the figure was over $35 billion, with annual growth rates in the last years of more than 20 percent. As knowledge-based, professional service firms, consulting companies transform knowledge "holes"' to knowledge "covers" (Anand & Morris, 1999).

According to Selznick (1957), organizations are the structural expression of rational action. As they are institutionalized, they become infused with values. A step forward is North's (1990) view suggesting that institutions reduce uncertainty by providing an efficient framework for exchange. Since institutions determine the opportunities in society, they define the rules of the game and play a major role in the perfection of an economy. Therefore, institutionalization reflects those mechanisms that enhance economic processes. The conclusion would be that consulting per se and the process of outsourcing decision making as part of it are institutionalized because they are beneficial for overall economic development. Questions linger, however, about the long-term outcome of such institutionalization.

The Institutional Theory Perspective

Under conditions of uncertainty, organizations experience strong pressure to respond with mimetic isomorphism (i.e., with standard responses), which lead to homogeneity. Consequently, they adopt the patterns of those organizations that are defined as successful in their field (DiMaggio & Powell, 1983; Haveman, 1993; Selznick, 1996). According to institutional theory, conformity through imitation is beneficial since it increases organizations' likelihood of survival (Oliver, 1991). There is considerable

research on the isomorphic pressure in different organizational fields (Delmestri, 1998; Rozenzweig & Singh, 1991) and on the positive effects of isomorphism on organizational survival (Baum & Oliver, 1991), external support of the organization (D'Aunno, Sutton & Price, 1991), and organizational legitimacy (Dacin, 1997; Deephouse, 1996). Stability, legitimacy, and access to resources are the basic rewards for organizational conformity (Oliver, 1991). According to the cognitive perspective of institutional theory, organizational legitimacy comes from adopting a common frame of reference or definition of the situation (Scott, 1995). External and ceremonial criteria of worth (Meyer & Rowan, 1977) may signal the social fitness of the organization. The incorporation of societal-legitimated rationalized elements (e.g., external advice in the decision-making process) maximizes the legitimacy of organizations and hence increases their chances for resources and survival capabilities (Meyer & Rowan, 1977). Feldman and March (1981) provide another interesting perspective to support the legitimacy issue. They argue that organizations gather information and do not use it, or act first and receive requested information later. "Gatherers" usually overload "users," decoupling information from decisions. This apparent irrational behavior makes sense if we take into consideration that the information-gathering function enhances legitimacy.

In order to imitate or replicate an organizational design or strategy, however, knowledge is needed, and, as Hayek (1945) points out, it is not given to anyone in its totality. Consulting companies are huge repositories of best practices and best solutions for certain problems, since knowledge is their core asset (Hansen, Nohria & Tierney, 1999). What they do is an easy and quick dissemination of their knowledge throughout an organizational field, or as DiMaggio and Powell (1983) put it, "Large organizations choose from a relatively small set of major consulting firms, which, like Johnny Appleseed, spread a few organizational models throughout the land" (p. 152). Studying the homogeneity of Korean firms' practices, for example, Ghoshal (1988) points to the contributing role of consulting firms. In other words, outsourcing decision making is a vehicle of mimetic isomorphism, which seems functional with regard to survival value.

A scientific community is an efficient instrument to maximize the number and precision of the problems solved through paradigm change (Kuhn, 1962). Accordingly, outsourcing decision making contributes to such paradigm change within an organization and therefore to its adaptive efficiency (North, 1990). In sum, consulting has been institutionalized and outsourcing decision making is a vehicle that enhances the legitimacy of the organization and creates certain slack and redundancy in the system, which makes it more reliable.

Can we, however, expect that every level of outsourcing of the decision-making process is functional? Organizations are located within fields,

which connote "the existence of a community of organizations that partakes of a common meaning system and whose participants interact more frequently and fatefully with one another than with actors outside the field" (Scott, 1995, p. 6). Therefore, institutionalization is shaped by certain forces that operate both within the organization and at the level of the organizational field.

Outsourcing decision making thus leads to convergence of strategies with little variation of performance within an organizational field, while nonoptimal organizations are selected out (Haveman, 1993). As a result of a mimetic transformational process, strategies that are believed to be successful quickly spread around, since organizations try to capitalize on them. More and more CEOs state that the strategies of their major competitors have become quite similar over the past few years and in various industries the strategies of market leaders converge, so that it is no wonder that many companies experience the heat of "hyper-competition" (Hamel, 1997). As a greater number of organizations outsource decision making, a point might be reached beyond which the mimetic modeling resulting from consulting no longer guarantees relative competitive advantages. If a critical mass of organizations becomes homogeneous in process, structure, and behavior and a change has become "trendy," the necessity to develop a new approach quickly emerges. Outsourcing decision making shortens the strategy life cycle. As Hamel (1999) says, there is an increasing pool of mediocre-performing companies and the more similar firms become, the higher their dependence on consulting companies. The greater the "hunger" for strategy innovation, the higher the degree of outsourcing of the decision-making process. In addition, relying on consulting companies diminishes a firm's capacity to generate alternatives and evaluate them, which is essential for strategy formation. The result could be a kind of "addiction" to outsourcing decision making, which could hinder organizational innovation processes over the long term.

Functional versus Dysfunctional Decision-Making Outsourcing

We can expect that within an organizational field the proportion of firms that outsource decision making has an effect on its overall efficiency, since mimetic isomorphism is the result of connectedness among organizations (DiMaggio & Powell, 1983). As the number of companies that outsource decision making grows, an isomorphic effect swamps efficiency, making outsourcing less attractive to other companies. Thus, it appears that there is a reciprocal relationship between the context, resulting from outsourcing decision making, and its effectiveness. Up to a certain degree, mimetic iso-

morphism, created by consulting companies, contributes to higher performance, but the relationship is not linear over the entire range of mimetic transformation in the organizational field. The more that companies adopt the same strategies, the more these strategies lose their power to create competitive advantage and diminishing returns can be expected. These two countervailing forces suggest that outsourcing decision making can be beneficial *only if* it does not create too much isomorphism.

As illustrated in Figure 5.2, the curvilinear relationship between these forces (1) recognizes that too little isomorphism is as bad as too much of it, and (2) predicts that the interest of firms toward outsourcing decision making will diminish when the context of a given organizational field has achieved a certain level of isomorphism. If the relationship is inversely U-shaped, there should be an intermediate level of decision-making outsourcing in any organizational field that is optimal for isomorphism. It might be that, at least for the time being, strategic consulting is booming because it is still on the ascending part of the curve. It is plausible that the point of inflexion where performance starts to diminish with increasing amounts of outsourcing is different for various organizational fields. Once companies experience the negative impact of being too similar, they might turn back to internal ideas and talents. Such change could lead to the internalization of some consulting companies by powerful firms. As Hamel (1998) suggests, "If you're a traditional strategy consultant, watch out. If I'm a senior executive, why should I pay your 29-year-old to teach me about my industry? Wouldn't it be better to get my own 29-year-olds, and everybody else in my company, to help me about the future?" (p. 4). But this development needs time. As Mowday and Sutton (1993) argue, "The context must act on, be noticed by, and be construed as important by individuals and groups before it can influence their behavior" (p. 209).

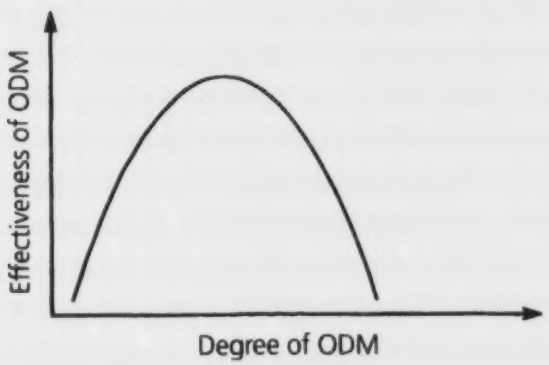

Figure 5.2. Relationship between degree of outsourcing of decision making (ODM) and its effectiveness.

CONCLUSION AND IMPLICATIONS

The context created by outsourcing decision making and its resulting mimetic isomorphism can be viewed as both an opportunity *and* a constraint. If we put these two pictures together, a nonmonotonic curvilinear relationship between the degree of outsourcing decision making and its effectiveness could be expected. However, there is a difference between less- and well-developed organizational fields. The latter are characterized by a high degree of competition because they have a large number of consolidated groups of actors who compete among each other. In competitive fields, a web of information about the market is created, distributed, and interpreted (Anand & Peterson, 2000). Therefore, consultants who have expertise on this web of information are actively sought by actors in well-developed organizational fields to help them gain competitive advantage. However, the more they operate, the more homogenous the field becomes because the same web of information is spread around. The inference would be that expanding such outsourcing is beneficial for an organizational field only to certain limits. Thus, the question is not whether or not to outsource decision making, but what amount of outsourcing is optimal and how consulting companies might counteract the underlying mechanism of mimetic isomorphism. Formally, this dynamic could be stated as the following proposition:

> In less-developed organizational fields there will be a positive relationship between the degree of outsourcing of decision making and its efficiency, while in well-developed fields the relationship will be a curvilinear one.

As a result of outsourcing decision making, a division of labor could also be expected: executives specialize in problem identification and solution implementation, while consultants and their companies concentrate on the generation of alternatives and their evaluation. Both parties would participate in the selection of the best alternative. This interaction, with its interdependent and interrelated processes, could contribute to the development of better sense-making skills for top managers, more sensitivity on their side to "people-related issues" (which are crucial for the successful implementation of change), and an intensive effort to leverage knowledge from "knowledge renting." Consultants, on their part, would have to further develop their analytical skills, symbol manipulation capabilities, and strategies for knowledge codification. A possible consequence of this development could be two distinct career paths—the analytical manager and the company manager—which could mean different criteria in the selection process of MBA students.

It is of practical significance to recognize that outsourcing decision making has an inverse U-shaped effect on firm performance in a well-developed organizational field. Going too far with quick, routine solutions that increase the mimetic isomorphism may jeopardize the reputation of the consulting institution. Economy of scale is a dangerous development in strategic consulting and the professional community should be alert about its consequences. Mimetic isomorphism, while encompassing rational elements, should be deliberately counteracted in the consulting process. An innovative strategy easily becomes a target of imitation. When consulting companies circulate the information that other firms have adopted because they believe in its profitability, they actually increase the estimated value of this strategy for managers who, as a rule, have less information available than consultants. It is in the interest of consultants to warn their clients of the negative side of isomorphic effects, because when the field becomes too homogeneous, clients will turn back to internal ideas or try to internalize consulting knowledge by hiring consultants as top executives. This process can already be observed in highly competitive technology fields. A qualitative study I carried out with vice presidents of strategy of Fortune 500 companies revealed that most of them came from the consulting industry and were highly skeptical toward the efficiency of management consulting companies in the strategic decision-making process. As one of these individuals put it: "We ask them [consultants] to do the legwork and we do the thinking."

Hamel (1998) warns consulting companies to "stop trying to create dependency and start trying to embed a deep capability for strategy innovation. Work to put yourself out of business!" (p. 4).While this proposition may sound rather utopian, professional consultants should think about the long-term implications of their activity in different organizational fields. In well-developed organizational fields, rather than providing "off-the-shelf responses," consultants should aim at facilitating the client company's own strategic decision making. Process consultation (Schein, 1969), with its basic premise that it is the client who owns both the problem and the solution, is an adequate response to the threat of isomorphism. It enhances the client's strategic decision making capabilities. Consequently, instead of consultants spreading around best practices, and companies copying what has been successful elsewhere, a diverse pool of ideas and alternatives will be created in each organization because of the participation of numerous actors with various experiences.

NOTE

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CHAPTER 6

CREATING COLLABORATIVE COMMUNITIES

Jeffrey Shuman and Janice Twombly

We are living in volatile times. Uncertainty reigns as business patterns are changing as the result of ongoing social, political, economic, and technological developments. It seems that everything that was true about business no longer holds. While changes of this magnitude are clearly placing new demands on businesses and their management, they also pose a number of challenges for the consulting industry, especially for those consultants attempting to improve client performance in this new business environment.

While there are a number of factors contributing to this reality, the most important are two fundamental truths of the networked economy. First, the *power in business relationships has shifted to customers.* Second, as a result, *traditional business and industry structures are dying.* Unfortunately, some businesspeople have not equated these two major developments with declining sales, plummeting valuations, and soaring layoffs. Others have a sense of it and are trying to see their way clear. Of course, not *all* of the economic malaise during the 2000 to 2002 period is due to these two factors; however, it would be a mistake to disregard the profound impact these two developments have had. Think about it: Why should the business and industry structures that worked during the business-centric era be expected to work now that we are in the customer-centric era? The simple answer is they shouldn't and they don't.

The current economic transformation caused by the ongoing shift from a business- or product-centric model to customer-centric business models is

being fueled by rapid changes in communication and information technologies. Yet, rather than creating a bleak picture about future business prospects, numerous opportunities exist. The shift in power to customers has led to a new business paradigm that is developing across industries, embracing both customers and business partners. Our premise is that we have entered an era of collaborative business, where commerce is done in trading communities built by developing trusting, purposeful, and mutually beneficial relationships with customers and business partners through a continuous stream of value propositions that helps each party achieve its respective goals.

When business is practiced in trading communities, it changes everything about how business gets done. Every aspect of business is impacted—from what constitutes a business entity and the products and services it offers, to the jobs we perform each day, to how we measure company performance. From a consulting vantage point, this implies that familiar methods and tools will no longer deliver the results they once did. Consequently, as consultants we face the dual challenge of developing our own understanding of the new business paradigm at the same time as we assist clients in adopting collaborative business models, processes, and relationships.

THE NEED TO COLLABORATE

The new business mantra is *collaborate, collaborate, collaborate.* The exact nature of such collaboration and what it means in practice, however, are often ill-defined. Collaboration can take on many meanings, depending on your perspective and with whom you are speaking. Some refer to collaboration as the ability to work with others in distant locations, just as you would if they were physically present in the same room or across the table. For example, web conferencing technologies are allowing more and more meetings to be held with participants in multiple locations, and virtual shared workspaces permit multiple parties to collaborate on the same document or drawing. For others, collaboration is about the free flow of information across boundaries, as is made possible by inter-entity supply chain management, and the demand planning and forecasting functionality of enterprise software vendors. And for still others, it is the sharing of resources and goals that results when two or more entities come together for the explicit purpose of satisfying the needs of a shared customer.

Webster's Dictionary (2001) defines collaboration as "1) to work jointly with others with whom one is not immediately connected, 2) to cooperate with or willingly assist an enemy of one's country" (p. 224). During World War I and World War II, the word "collaboration" took on a sinister meaning. It was

used almost exclusively as cooperating with the enemy, and no one wanted to be accused of being a collaborator. Today, however, collaboration is used much more positively, and increasingly viewed as essential for success.

Collaboration is considered vital because businesspeople realize that their companies can no longer go it alone. To survive in the networked economy, where the balance of power has shifted to the customer, people are learning that they *must* collaborate with their customers and other businesses in the design, development, and delivery of their goods and services if they expect to profitably satisfy their customers' personal needs. As Bob Evans (2001), editor-in-chief of *InformationWeek*, argues, collaboration in business is the new reality:

> The 21st century will force companies of all stripes to collaborate aggressively and religiously, both inside the company and outwardly with its partners.... More than ever before, the intertwined worlds of business and technology will wrap into one unified thread: business goals and objectives outlined and defined by all parties, metrics and milestones determined in partnership, stewardship of various projects taken up by the appropriate leaders.... The issue—the reality—is collaboration.

The benefits of and the necessity for working across traditional boundaries with like-minded people to achieve shared goals are undeniable.

BUSINESS TRADING COMMUNITIES

In the era of collaborative business, commerce is done in trading communities (what we refer to as collaborative communities) that embrace both customers and business partners in trusting, purposeful, mutually beneficial relationships (see Shuman & Twombly, 2001). A collaborative community is a seamless alliance of trading partners and customers where everyone benefits by focusing on profitably satisfying the set of needs and wants of the customers who define the community. It is important to understand that regardless of whether these trading partners and the competencies they bring to the community are found in a division of General Electric or in an individual free agent, each entity has to gain value from its participation in the overall business structure, that is, in the community. In other words, each of these entities must believe that the benefits of collaboration exceed the cost of membership.

A collaborative community is focused on satisfying the needs and wants of each customer on an increasingly personalized basis. The entity that is creating this community must, as a core competency, be able to understand the needs of and develop a relationship with the customer. This member must also build an alliance of business partners that provide the additional

competencies required to profitably satisfy the customer. In essence, this type of orchestration role can be conceptualized as a "choreographer"—the entity that sees the vision for the community and works to bring order and direction to the movements of its members in pursuit of their shared goal of profitably satisfying the customers that define the community. And just as this role can be characterized as a choreographer, the give and take of information, access, goods, services, and money between and among business partners and customers can be thought of as the "dance."

Of course, one can argue that the dance between customers and businesses has always gone on. And, to a large extent, this is certainly true. However, what is different today is the profound developments in information and communication technologies that are transforming the relationships between and among businesses and their customers. As Peter Drucker (2001) has noted, "The greatest impact of the Internet is the elimination of distance." More than ever, new technologies are allowing people at whatever distance to work closer together. And it is these new information and communication technologies that require us, as businesspeople and as consultants, to adopt new perspectives and master new communication and relationship skills.

As illustrated in Figure 6.1, a collaborative community is comprised of three major constituencies: (1) knowledgeable and powerful customers who selectively share the information businesses need in order to have their own needs satisfied, one at a time on a personal basis; (2) member firms/business partners (suppliers, distributors, and support functions); and (3) the choreographer. As the builder of the community, the choreographer's role is to understand the needs and earn the trust of the customers, and then translate that knowledge and trust into profitable, "win–win" relationships with its business partners.

The totality of any given customer's sets of needs and wants must be defined from the customer's perspective, either in terms of interest areas or experiences. Since collaborative communities are organized around a specific set of customer needs and wants, every customer is therefore a member of many communities. As customers' needs and wants change over time, and customers develop new sets of needs and wants, the customer can be thought of as continuously opting into and out of many communities. In the same way, both the choreographer and its business trading partners will also belong to many communities at any given time and will take on different roles in those communities. In one community, a business may be a supplier. In another, it may be a customer. And just as customers opt into and out of communities, businesses will themselves opt into and out of communities as customer needs and the business environment change. Consequently, a company can no longer think of itself as simply competing with another company for customers. It must think of itself as a

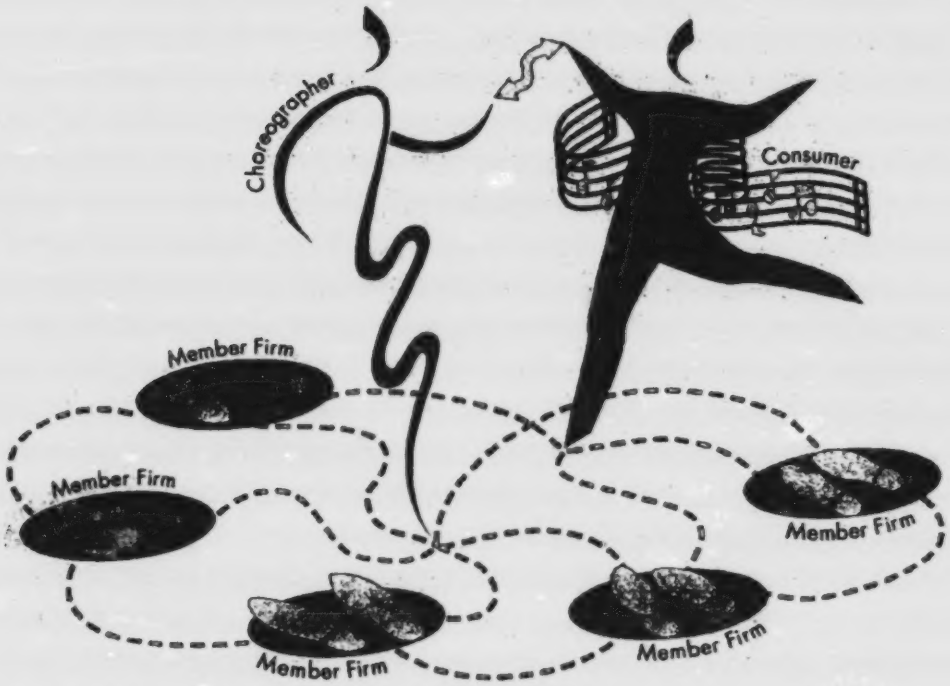

Figure 6.1. The Collaborative Community.

member of multiple collaborative communities of businesses and customers—and think of its competitors in this manner as well. Thus, the business world can be conceptualized as an interlaced, interchanging network of self-identifying communities, both on the part of customers and businesses. Rodgers and Banerjee (2000) have appropriately captured our beliefs in their description of the impact of the emergence of collaborative communities on the competitive landscape:

> The implications of shifting to a collaborative business model are profound.... More fundamentally, however, this kind of collaboration shifts the ground rules of traditional business. The competitive struggle moves from enterprise-v-enterprise, through supply chain-v-supply chain, to collaborative community-v-collaborative community. Each enterprise is likely to find itself participating in numerous communities as both a supplier and customer, at times working closely with an organization in one community that may be a competitor in another. And because the ultimate goal is to meet customer demand in real-time the speed at which organizations need to act and react vastly increases. (p. 6)

Such multiple community participation provides participants with the opportunity to share information across the various communities to which they belong (as long as they don't violate trust and confidentiality agree-

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ments created within individual communities). The accrual of this shared information is a valuable asset to every member of the community and, in most instances, enhances each business's ability to operate successfully in all of its other communities.

As the needs and wants of customers change, the composition of the collaborative community itself must change, and the way each business in the community operates must change as well. The goal, of course, is to change in a manner that continually reinforces and leads to an increased ability of the community to profitably satisfy its customers.

The Choreographer

The choreographer can be thought of as the entrepreneur of the collaborative community. The choreographer is the entity that builds the business and information infrastructure around the set of customer needs and wants. As suggested earlier, we refer to the leader of a collaborative community as the choreographer because the skills required to accomplish the goals of the community are similar to those required of a choreographer in dance. The *Encyclopedia Britannica* describes choreography as "...the gathering and organization of movement into order and pattern. The choreographic process may be divided for analytical purposes (the divisions are never distinct in practice) into three phases: gathering together the movement material, developing movements into dance phrases, and creating the final structure of the work."

We use this metaphor because just as a choreographer in a musical must select different dancers for different roles, ensure all of the dancers follow the same rhythm, and encourage every dancer to work together to accomplish the same goal, the choreographer of a collaborative community assembles all of the businesses required to satisfy a set of needs and wants, arranges these businesses to function in coordination and synchrony, and motivates each and every business to work together to accomplish their goals profitably. Clearly, the choreographer's position within the collaborative community is one of great value. Sawhney and Parikh (2001), for example, underscore the critical nature of this role, suggesting that "Much of the competition in the business world will center on gaining and maintaining the orchestration role for a value chain or industry.... More money can be made in managing interactions than in performing actions" (p. 82).

Sets of Customer Needs and Wants

Previously, we argued that the totality of any given customers' needs and wants must be defined from the customer's perspective by interest areas and experience. When thinking about different industries today, they are largely defined from the business's perspective, not the customer's. Thus, we tend to think of business in a product or service orientation. We think about the movie industry, the clothing industry, the automobile industry, the oil industry, and so on. What they do and how they do it. From a customer's perspective, however, it is never about what industry you are in or what products you make. It is only about the satisfaction of their needs and wants, or more specifically, the satisfaction of a set of customer needs and wants as defined by an interest area or a buying experience.

This perspective changes the way in which we look at business. Using the example of home ownership, when purchasing and then occupying a home, we tend to think of our needs as a singular experience of finding the home, negotiating the deal, arranging the financing, obtaining insurance, selling our existing home, moving, establishing new utility connections, renovating and remodeling, and so forth. Companies, however, tend to divide these needs and wants into separate and disconnected industries. In this example, despite the fact that all of the services described are related to the experience of one customer selling one home and occupying another, often the customer has to establish and engage in relationships with many different businesses in many different industries—real estate, finance, insurance, and so forth—to satisfy one buying experience.

Structuring a business from the customer's point of view provides us with an entirely different business. From the customer's point of view, we might have a business that encompasses an array of these transactions, including real estate, finance, moving, storage, and decorating. From the point of view of the business, we get what existed when businesses held the power in the relationship—different businesses providing different but related products and services. Customers, therefore, have to establish multiple relationships—simultaneously or in sequence—despite efficiencies that could exist as a result of establishing a single point of consumer contact for the satisfaction of the single set of needs related to home ownership. Building your business from the customer's perspective costs less in the aggregate due to the savings in eliminating redundant and purposeless (from the customers' perspective) operations. The customers get what they want and businesses, working collaboratively, are more profitable.

HELPING CHOREOGRAPHERS BUILD THEIR COMMUNITIES

Over the past two years, we have consulted with a number of businesspeople who, without realizing it, were in the process of transforming their businesses from a traditional strategy and structure to that of a choreographer building a collaborative community. In each situation, we applied the following intervention framework and process to help them understand and implement an underlying structure for building a customer-centric, collaborative business:

1. Helping the client adopt a customer perspective and mindset.
2. Describing the set of customer needs and wants the business must satisfy to deepen its relationship with the customer and grow its business.
3. Identifying and addressing the cultural and operating impediments to aligning the business with customer needs.
4. Assisting the client in building collaborative relationships and value propositions.
5. Developing simple, nearly real-time measurement systems to assess performance, evaluate assumptions, and make better assumptions based on real-time data.

Although the consulting process described above is presented in discreet steps, in practice the process is actually carried out with many of the steps taking place simultaneously.

As a way of demonstrating the application of this methodology, we draw on an intervention with a family-run winery. The winery property is bucolic and reminiscent of a European landscape, and the family is passionately committed to preserving farmland and stewardship of the land, in general.

Adopting a Customer Perspective

In addition to having businesspeople look at their business and its operations from their customers' perspective, it is important to look at *all* business relationships as if they were customers. In essence, it is important to identify an exchange of value that satisfies the needs of every party to a relationship. Affecting this shift in mindset should be an ongoing focus of the consultant since it is a prerequisite for developing collaborative relationships.

This approach begins by working with clients to understand the benefits that can be realized by adopting the mindset that everyone—including distribution partners and suppliers—are customers. This shift in perspective is

the seed that fundamentally changes the nature of the client's relationships. Viewing everyone as a customer implies developing longer-term, collaborative relationships as opposed to arms-length, transaction-based relationships. More importantly, this viewpoint requires developing learning relationships that build trust by continually following through on promises made. In diplomacy, each party needs to develop the faith required in order to negotiate the issue at hand. As trust is built over time, and each party lives up to its commitments, more complex agreements requiring greater sharing of information can be negotiated. The same dynamic applies to business. Greater knowledge of the companies and individuals that a businessperson interacts with undoubtedly facilitates and increases the accuracy of our assumptions about how these companies and individuals will perform, creating a foundation for building closer relationships.

In our work with the winery, we quickly began working on establishing a customer mindset. We used simple, real-life stories to vividly illustrate what we mean by this mindset. As an example, we related an experience we had during a conference at a luxury resort. We were seated at a table on the veranda overlooking the waterfront with someone we had met at the conference. When the waitress came over to take our order, our friend asked for a decaffeinated cappuccino and biscotti. The waitress said that they didn't serve biscotti, so our friend asked what type of pastries they did have. The waitress replied that they didn't serve any pastries but pointed out the resort's bakery located around the corner. Then she said the bakery also sold coffee, so he could get everything he wanted there. We sat dumbfounded. These were exactly the wrong statements from the customer's perspective. If the waitress had a customer mindset, she would have replied "Let me see what I can get for you," and not told her customer to leave the establishment to get what he desired.

While the idea of establishing a customer-oriented mindset may be a simple concept to grasp, internalizing it and effectively practicing it require discipline and experience. The next step, therefore, is to help the client develop a customer mindset by starting with a single existing relationship where the value proposition between the two parties can be expanded. By identifying this promising relationship, consultants can work with their clients to enable them to see how their interactions can create a customer relationship that brings increasing value to both parties. Once the client becomes more comfortable with the mindset, the next step is to identify additional relationships where greater value can be realized by both parties.

The second dimension of the customer mindset we wanted to establish in the winery was that, as illustrated by the example of the home ownership marketplace, a customer perspective can result in a very different business. With a customer-oriented perspective, a business becomes focused on satis-

fying a set of needs. Helping clients experience their business from their customer's perspective often uncovers new opportunities for increasing the average revenue per customer.

In addition, looking at a business from the customer's perspective reveals seemingly minor imperfections (from the company's point of view) that potentially have significant negative impact (from the customer's perspective) on the business. Quite frankly, too many business owners never think to experience their business as their customers do. As such, through a combination of interactions over many different touch points (some anonymous, some not), consultants can help their clients experience what any customer experiences, and then evaluate and recommend improvements. These improvements are often inexpensive, easily completed, and positively impact the overall customer experience.

Identifying the Set of Needs and Wants

Using a process of open-ended, on- and off-site customer interviews, the next step is to develop a much more comprehensive understanding of the full set of customers' needs held by each major customer grouping. In the case of the winery, we identified three major customer groups: (1) customers who purchase their products "off-site" through stores, bars, and restaurants; (2) visitors to the winery; and (3) business partners with whom the value proposition could be more broadly defined.

Visitors to the winery presented the greatest opportunity for establishing and deepening the customer relationship, as their on-premises experience can readily drive sales in off-premises outlets. Certainly, the family was aware of that fact and prided themselves on the customer experience at the winery. Our observations and interviews, however, revealed certain unmet needs of such visitors related to their experience at the winery. For example, while there was a food and education center on the property, there was no opportunity for visitors who might want to enjoy a picnic on the lawn to purchase food after taking a tour of the facilities and participating in a tasting. This void represents a direct revenue opportunity left untouched, which could be easily fulfilled through a relationship with a local caterer. The needs and wants analysis further uncovered several growth areas for the business, including weddings and parties, participation in organized events with other local wineries, and other travel- and tourism-related activities. As a starting point, before expanding their community to meet these needs, we counseled the owners and management team first to see their business from their customers' perspective and focus on their on-premises experience.

Our observations and interviews also identified other needs that, if met, would benefit the overall customer experience while on-premises, thus making the customer more likely to (1) return another time, (2) tell their friends and family of their favorable experience, and (3) benefit off-premises sales. For example, tours were held only on weekends and were limited to observing the current activity, be it in the vineyard or winery buildings. At certain points in the production process, sections of the winery are off-limits. Numerous times in our interviewing process, we heard that visitors wanted to have a more interactive experience. In addition, many visitors told us part of their reason for visiting was to support a local agricultural business. However, despite the family's efforts to communicate their significant financial, operational, and personal commitment to stewardship of the land, their message was not coming across clearly, thus missing an emotional connection with many visitors.

Satisfying the stated needs and wants of visitors to the winery is only a piece of meeting customer expectations. Many of the seemingly insignificant operational details—such as how convenient it is for customers to complete their transactions, wait time, helpful signage, consistent messaging, and clearly defined pricing—all contribute to the experience, shaping and influencing the customer relationship.

Overcoming Cultural and Operational Impediments

Once the desired customer experience has been defined, the focus is shifted to the cultural and operational impediments that prevent a business from fulfilling and delivering that experience. These obstacles can include product-oriented structures that create operational silos and disguise the complete picture of the customer's interactions with the company, incentive compensation systems that are at odds with customer-focused goals, decision making removed from the point of customer contact, and so forth. In this phase of the consulting process, the emphasis should be placed on defining client actions that will enable them to deepen their relationship with customers, honing in on their identified needs.

Our winery client created its own operational silos. The business had additional agriculturally based food and beverage products and they had been advised for tax and legal reasons to maintain two separate corporations. This structure guided the company's operations, and the owners represented themselves to the public as two businesses. Thus, multiple customer lists were maintained despite overlaps, and redundancies in operations diverted resources from customer-impinging activities. Perhaps more importantly, by focusing their messaging exclusively around their individual products, the winery was missing an opportunity to create an

overarching brand, associated with its core values of family, community, and stewardship of the land. These values can represent a powerful, differentiating factor in the minds of consumers who are presented with an overwhelming choice of vendors and products. In the case of the winery, we found small, inexpensive steps the owners could take to begin to create that identity, such as combining the two companies' newsletters and emphasizing the family name and history, as well as their activities in land conservation, especially in press interviews and bylined articles in both local and national media.

Additional operating impediments to building a business from the customer's perspective can manifest themselves in dependencies within business processes. For example, while we were initially engaged to help grow the winery's business, efforts in that area would be frustrated by shortcomings in the on-premises experience. Again, the simple operational details that touch the customer, such as a long wait time to pay for a purchase, can thwart the best of intentions.

Building Relationships and Establishing Value Propositions

As noted earlier, since collaborative relationships are trusting, purposeful, and mutually beneficial, building them requires a greater commitment of resources and sharing of information than do arms-length, transactional relationships. Therefore, the real incentive for forming a collaborative relationship is a value proposition that brings increased strategic value to each party. And strategic value is created whenever an exchange helps each party more quickly and less expensively validate or invalidate the critical assumptions they have made about how they intend to accomplish their goals.

Exchanging such increasing value, however, requires an increasing level of trust that results from repeatedly experiencing fair behavior by the other party, together with accepting the other party's rights and interests (see Kasper-Fuehrer & Ashkanasy, 2001). Trust also indicates a joint undertaking, with a level of understanding of shared business practices between the parties. Finally, trust implies that the participants contribute to and gain from the final outcome, and this awareness of common interest and mutual benefit results in a foundation of goodwill.

The creation of shared goals and strategy, especially in the initial stage of a relationship, facilitates collaboration on the individual level and on the level of the community as a whole. As such, a common business understanding provides an essential condition for the development of trust within the relationship. This understanding fosters mutual goal setting, willingness to share information, and the creation of interpersonal trust. Communicating the importance of trustworthiness—and the qualities it

takes to create it throughout a collaborative community—further underlies trust building. The communication of trustworthiness is an interactive and iterative process that affects, monitors, and guides people's actions and attitudes in their interactions with one another, ultimately determining the level of trust that exists between them.

Trust cannot be rushed, nor simply assumed. It is reciprocal and it either exists or it doesn't. In a collaborative relationship, strategic value flows in both directions, and, as such, each party needs to trust the other party, otherwise the information required for the collaboration will not be shared.

In reviewing the winery's relationships, we learned that over the past few years the business has held a festival, the net proceeds of which were donated to a not-for-profit organization whose mission is to preserve open space and farmland. While the winery was (and is) very happy to make that contribution, the family overlooked what that organization might offer in return that would be mutually beneficial. Thus, while personally satisfying, from a business standpoint the relationship between the winery and the not-for-profit organization was a resource sink, that is, they were giving more than they were getting.

The task, therefore, was to assess the nature of the relationship and demonstrate how it might be made more collaborative *and* beneficial, that is, how the winery would get as much as it gave. To do this, the winery's owners needed to understand more clearly the customer mindset. As suggested earlier, the first dimension of adopting a customer mindset is to seek an exchange of value between the parties, whether in cash or something of value other than cash. These noncash "currencies"—such as access to customers or validation of the benefits of your product—are freely traded as people go about their business. Successfully utilizing them requires both an understanding of the sources of value and how to gain access to that value, a process that is most successful when satisfying the needs of the giver (the customer). Thus, everyone is a customer when the other party's needs are to be filled, in addition to your own (for a fuller discussion of this dynamic, see Shuman & Twombly, 2002).

The family who owns and operates the winery has had this relationship with the not-for-profit for a number of years, and they felt it was a strong and intensive relationship. The two organizations had worked together on a number of initiatives, but these interactions were really arms-length transactions—the type of relationships both engaged in with parties where there was no commonality of interest.

Yet, in this relationship there were shared goals. Both organizations were committed to preserving farmland, which is the main reason the family promoted and contributed to the not-for-profit's endeavors. With the exception of this transactional element, however, the relationship was

essentially one way—the winery holding annual festivals and contributing its net income from those events to the not-for-profit.

While there were very specific and good reasons why these contributions would continue, creating a collaborative community raises the question, "Could this relationship become more collaborative and thus more beneficial to *both* businesses?" In other words, could each business become a "customer" of the other?

To point the way toward this goal, we analyzed the relationship to determine both the current and potential nature of the relationship, as well as to identify and evaluate the non-cash currencies that could be of value to each party to the relationship. By this process (further described in Shuman & Twombly, 2002), we determined that, while the relationship was not currently providing value beyond the transaction, the not-for profit *could* offer the winery value in a number of ways. For example, the not-for-profit could introduce its members to the winery and its work in sustainable viticulture through the organization's newsletter and website. Additionally, it was already an intensive relationship and there was more value the winery could offer to the not-for-profit. Identifying the potential for enhanced value exchange is a critical step in turning businesses that were not previously viewed as customers into customers.

The transactional activities that the winery had engaged in with the not-for-profit allowed each party to get to know one another, experience fair behavior, and establish a basic level of trust. Emphasis was thus placed on assessing those areas where mutually beneficial value propositions could begin to turn the transactional relationship into a more collaborative one. What seemed clear was that given both companies shared commitment to stewardship of the land, it was reasonable to assume that those members of the not-for-profit who were wine drinkers would be attracted to the winery and would want to support a local leader in land conservation. The intervention focused on preparing a list of sources of value (referred to as currencies) the winery could offer to the not-for-profit, including continued and hopefully increasing cash contributions, access to more than 30,000 people who visit the winery each year as potential members for the not-for-profit organization, and validation of their expertise in land conservation. In turn, the winery anticipated gaining access to the not-for-profit's 25,000 members (all of whom reside fairly local to the winery) through offering special incentives to visit the property. Developing a more collaborative relationship with the not-for-profit also provided the opportunity to focus and reinforce the winery's image as a leader in land conservation and sustainable agriculture.

As consultants, we worked with the winery's owners to develop a logical argument and proposal for the not-for-profit, and coached them on how to capture and present the shared goals and strategy they envisioned. Using

this assessment, the owners of the winery approached the not-for-profit to see if the value proposition and activities between them could become more collaborative. Despite never having entered into anything other than a transactional, arms-length relationship with a commercial enterprise, the not-for-profit saw great value in the currencies the winery had to offer, and, because of the trust built through the history of the relationship, the not-for-profit agreed to iterate the relationship. In the first phase, the two organizations established a simple, inter-entity customer acquisition process, committing more resources and sharing richer information than ever before. Both entities realized that by working collaboratively—that is, each receiving strategic value from the other—they would be in a better position to achieve their individual goals.

Assessing Performance and Refining Assumptions

The process described in this chapter, which provides a framework to transform individual businesses into collaborative communities, is really one of developing understanding. The approach begins with the client's goals for the business, developing a level of understanding as to the current state relative to those goals. While this approach is based on a number of assumptions about business–customer relationships that are drawn from our experiences, it is important in each situation to examine how the organization might interact differently with its customers and other members of its community, test these assumptions, and quickly evaluate the results, thus allowing better assumptions to be made and put in place. Consequently, the metrics used to assess progress should be relatively simple, operational measurements that management can monitor on a real-time basis. While the goal may be increased sales or profits, the metrics that will indicate if assumptions are valid must be determinable after every customer interaction.

Returning to the winery, for example, one of the issues that emerged concerned the length of time it took for someone to conclude their purchase. Based on an analysis of the customer experience, some specific changes were made, and the average wait time decreased by 50 percent. Using this information, the winery's management was able to use the new metric to guide staffing decisions, quickly identifying when another cash register should be opened. Similarly, as a test of whether the new relationship with the not-for profit was creating the desired results, a "members only" day was designated at the winery. In a single day the winery was able to test the assumption that members of the not-for-profit would indeed support the winery.

CONCLUSION

As this chapter has demonstrated, assisting clients in developing a collaborative community is as much about their mindset and thought processes as it is about the actual activities that occur. Transforming a business from a product-centric strategy to a customer-centric, collaborative strategy is an iterative process that takes time, as management develops the skills required to understand their customers' needs, affect necessary changes, and develop the trust within the relationships required to access new sources of value.

From a consultant's perspective, it is important to the success of an engagement to keep remedial activities, such as raising the customer experience to acceptable levels, moving forward, all the while guiding the client in building the trust required to forge new collaborative value propositions. Fixing the operational details is often mundane and, as such, one might be tempted to put them aside for the more exciting aspects of building a collaborative community, such as identifying and obtaining new sources of value. However, the consultant must keep *both* tracks moving simultaneously, otherwise the lack of attention to detail may have negative ramifications that counter the benefits of the enhanced value propositions. It is also critical that a customer mindset is developed across the organization. As we saw in the story of the waitress at the resort, all the efforts of management come to naught, if the person directly interacting with the customer is not sufficiently trained and given incentives to act accordingly.

Additionally, it is important to analyze and evaluate which relationships should become collaborative. Collaborative relationships require a greater commitment of resources than noncollaborative relationships, thus the consultant must guide the client in allocating resources to the relationships that have the potential to provide the greatest strategic benefit, improve performance, and increase profits. Identifying these relationships and guiding the client to nurture their development is how the seed of a collaborative community takes hold and soon flourishes.

While iterating from a traditional structure to that of a collaborative community requires strong and trusting relationships that consume resources to develop and nurture, it is worthwhile. With each interaction, each party's intent is to get closer to achieving the individual and mutual goals set for that particular relationship. This focus on goal achievement will, over time, save resources. And whenever resources are saved, they are implicitly created to use elsewhere.

We are in the era of collaborative business, where every relationship takes on the characteristics of a customer relationship. At a time when the power in business relationships has shifted to customers and traditional

business and industry structures are crumbling around us, it is the only mindset that will lead to success.

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Part III

REFLECTIONS ON MANAGEMENT CONSULTING

CHAPTER 7

CONSULTANCY FOUNDATIONS

Toward a General Theory

Craig C. Lundberg

The field of consultancy is generally acknowledged to be growing in importance as the world becomes evermore complex and changeful. The field also seems to be becoming increasingly differentiated, with specialized types of consulting practitioners and niches of application. The literature, while also growing in general, however, remains discursive, characterized by anecdotal cases, best practices, partial models, normative advice, lists of issues and solutions, context-specific techniques, adaptations of general social science theories, success and failure stories, and the like (e.g., Golembiewski, 2000). This fragmented, sometimes vague, and often overly value-infused literature is seldom subjected to systematic validation or testing—in part because the field remains relatively underconceptualized and some would say even atheoretical (e.g., Gallassich, 1985). Consulting remains largely personalistic and wrapped in a mystic. Therefore, it may be timely to attempt to outline the foundations of a general theory of consultancy, for if a general theory is possible, someone needs to initiate the dialogue that may stimulate such conceptualization.

This chapter is both intentionally broad and general. It is broad in that it purports to encompass all known types of consultants and clients. It is general in that it purports to describe the generic structure and process underlying all forms of helping, change, and improvement practice. While this work is intendedly conceptual and abstract, it also attempts to be both rigorous (i.e., it is anchored definitionally) and systematic (i.e., it utilizes a

propositional format). This foundational conception of consultancy is presented in several sections. The first specifies the domain and criteria for a general theory of consultancy. The second outlines the assumptive basis for such a theory. The third section offers a reconception of clients, consultants, and consultancy projects in terms of a generic unit of analysis termed a *human system*. The fourth section elaborates the occasions for consultancy. The fifth section builds on the prior ones, defining consultancy in terms of a *generic assistance process focused on uncertainty reduction*.

THEORETIC DOMAIN AND CRITERIA

The domain for a general theory of consultancy will of necessity be a broad one. It encompasses all sizes and types of purposive human systems that can be designated as a *client*, a unit of analysis that ranges from persons and groups, to organizations, to communities and even societies, whether formally designated or not. The domain also encompasses all known or possible sizes and types of consultants internal and external to organizations, from so-called lone rangers and boutique operations to large-scale, multiservice firms. The action dimension of the domain is about change, primarily change in clients and/or their organizations, but also change in consultants and the client–consultant relationship.

Ideally, a general theory of consultancy should consciously reflect a number of conceptual criteria. As much as possible such a theory should:

- Be *ideologically neutral*, that is, it should not be captive of those interests promoting the survival and power of existing elites (a managerial ideology), or those interests promoting the ascendance of the oppressed (a conflict ideology), or those interests devoted to the fulfillment of human potentials (a humanistic ideology), or those interests in perpetuating a myth of value-freeness (a scientistic ideology) (Stablein, 1988).
- Be *inclusive* of all dominant perspectives of social systems, for example, structural, political, human resources, and cultural (Bolman & Deal, 1991) as well as inclusive of all schools of thought about organizations and management, for example, resource dependency, population ecology, and organizational psychology (Lundberg & Young, forthcoming).
- Be *equally applicable* to the range of alternative ontologies about the nature of reality, along the continuum from purely objective through social construction to purely subjective (e.g., Morgan & Smircich, 1980).

- Be *useful* for the explanations preferred by practitioners, that is, future-oriented teleological, as well as the explanations preferred by scientists, that is, past-oriented, causative-explicative (Evered, 1976).
- Be *explicit about its tradeoffs* among its theoretic purposes, i.e., among accuracy, simplicity, and generality (Weick, 1979).
- Be expressed in terms of *familiar language and existing constructs* as much as possible, as long as clarity is not sacrificed.

These theoretical domain statements and criteria specifications present a daunting challenge for any conceptualization effort, of course, but especially for consultancy, which has seemingly eschewed conceptual rigor to date. The degree to which the theory expounded below meets these ideals remains to be seen. Such ideals should, however, guide the critique of any work that aspires to lay the foundations for a general theory.

THEORETIC ASSUMPTIONS

While rarely made explicit, all conceptual efforts rest upon one or more assumptions or what might be thought of as primitive statements. The present work is no exception. The five primitive statements listed below are the fundamental premises upon which the propositions of the following theory are based. In order to be as conceptually clear as possible, key terms for each premise and the propositions that follow are defined.

Premise 1. Uncertainty leads to anxiety in human beings, and anxiety is universally avoided by human beings, if at all possible. All human beings, therefore, prefer less to more anxiety.

> Definition 1: *Uncertainty* is the situation or circumstance in which (1) a human being (hereafter person) is unable to assess the probabilities associated with the occurrence of a particular event or activity, (2) the person in question does not have a meaning for the situation or circumstance, or (3) the person has two or more meanings for the situation. When uncertainty occurs, therefore, a person simply does not know what will happen.
> Definition 2: *Anxiety* is the feeling state—unpleasant and distressing—that occurs when a person experiences a situation or circumstance that is personally relevant and uncertain.

Premise 2. Power accrues to those persons who can or do reduce the uncertainty of others.

Definition 3: *Power* is when one person possesses the resources that another person requires for his or her need or want satisfaction, for example, uncertainty reduction. The person with the resources has power, and power is the potential to influence the behavior of the other person (with operative needs or wants).

Premise 3. All human systems are dependent, on occasion, on some portion(s) of their environment for resource inputs and/or the absorption of their outputs. Such dependencies may be more or less uncertain.

Definition 4: A *human system* is one or more persons distinguished by having an identity (i.e., a consciousness of being separate and different from other human systems and their surrounding circumstances or conditions), and one or more purposes (i.e., doing something with resource inputs and/or creating outputs). When the human system is two or more persons, their interactions and exchanges with each other are observably different than their interactions or exchanges with the environments of their members.

Definition 5: *Environment* refers to the situations or conditions external to a human system (i.e., that from which inputs of meaning, information, energy, and things come, and into which outputs of all kinds are discharged).

Definition 6: *Dependence* occurs when a human system requires inputs from and/or outputs to its environment for the human system's maintenance and functioning (i.e., the human system's survival and purpose achievement).

Premise 4. Human systems are internally differentiated in that their parts have different functions (e.g., some seek external resources, some affect system maintenance, some produce outputs, some modify the system). In human systems, those components that control access to or exchanges with some portion of the environment upon which they are dependent are by definition powerful because of their potential for uncertainty reduction.

Premise 5. Environments are never static and hence human system inputs and outputs can and do vary. Human system components and members, therefore, may change, adapt, and/or be transformed.

Definition 7: *Change* is when the internal relationships and/or activities of a human system are altered so that they operate more efficiently and/or effectively.

Definition 8: *Adaptation* is when a human system modifies the rate or type of its inputs and/or outputs so that they are better aligned with

what is needed by the purposive systems comprising the environment upon which they are dependent.
Definition 9: *Transformation* is when the structure and functioning of a human system is modified so that it can change and/or adapt differently.

The above premises are believed to be consistent with what is known about all open systems (e.g., Miller, 1978). Their generality is intended to be applicable to the domain of consultancy. They are assumed, therefore, to encompass those situations where two or more human systems interact with one another for mutual benefit—in other words, what happens in a consulting relationship.

CONSULTANCY SYSTEMS: ESSENCE AND FUNCTION

The generic unit of analysis for the explication of what consultancy is and how it operates is the human system. As previously introduced, human systems denote individuals and sets of persons, from dyads and teams, to organizational subunits and organizations, to communities, industries, and nation-states. In the propositions that follow, the human systems of consultancy are conceptually specified and elaborated as to their patterning and functions.

Proposition 1. At minimum, consultancy involves two human systems where one (nominally termed the client) believes assistance is needed and the other (nominally termed the consultant) provides it.

Definition 10: *Assistance* has occurred when a human system experiences that its anxiety has been reduced.
Definition 11: A *client* is a human system that experiences anxiety (based upon real or imagined uncertainty) and needs or expresses a request for assistance.
Definition 12: A *consultant* is a human system that responds to a request for assistance or offers to provide help to a client.

This proposition implies several ideas. One is that uncertainty is perceived and, therefore, to some extent always subjective. Second is that the level of anxiety that triggers a request for assistance will vary among human systems, depending on the threshold of uncertainty previously learned as anxiety provoking. Third, is the obvious but often misunderstood idea that what constitutes assistance is *client defined*, not declared by consultants. Finally, in formal organizations the parties to consultation (here defined as client and consultant) may both be enacted by persons holding a variety of

positions, for example, line and/or staff, as well as positions external to the organization.

Proposition 2. The sources of anxiety experienced by human systems are related to the uncertainty of their achieving one or more of the fundamental tasks of all human systems, that is, minimally acceptable internal adjustment, appropriate external alignment, and the anticipation of their possible future (Lundberg, 1989).

> Definition 13: *Adjustment* refers to the change of internal relationships, activities, and resource allocations so as to reduce or omit perceived discrepancies between system purpose, depicted goals, and actual performance levels.
> Definition 14. *Alignment* refers to the modification of human system–environment relationships and/or exchanges so that inputs and/or outputs will more adequately enable the achievement of the human system's goals.
> Definition 15. *Anticipation* refers to the transformation of a human system itself so that it is more likely to meet predicted adjustment and/or alignment requirements in the future.

This proposition reflects Definition 4 and Premise 5. We note that it holds for clients, consultants, and consultancy projects composed of client and consultant. When one or more of the three fundamental tasks of human systems are perceived as uncertain, anxiety may result. For example, just-in-time (JIT) inventory systems, quality circles, and shifts from functional structures to product structures are attempts to reduce adjustment uncertainties; efforts to increase or ensure market share or units charged with managing customer relations are efforts by organizations to reduce alignment uncertainties; and, projects to alter organizational culture or create a learning organization are examples of anticipation type uncertainty reduction.

Proposition 3. The attention given to the uncertainty associated with these fundamental tasks of human systems will reflect perceptions of and the learned acceptability of environmental munificence and/or turbulence.

> Definition 16: *Munificence* is the state of a human system's environment with regard to amount of needed, available required resources and/or the environments' capacity for absorbing a system's outputs.
> Definition 17: *Turbulence* refers to the combination of environmental complexity (i.e., the number of resource suppliers) and rate of change.

In general, as environments become less munificent, human systems tend to experience higher dependency and hence higher uncertainty. In general, for human systems, the higher the turbulence, the higher the uncertainty and thus the likelihood of experiencing dependency. For human systems within organizations, their environments will include other internal organizational parts as well as those in external organizations. The greater the perceived environmental uncertainty, the more a human systems' attention is likely to shift from adjustment to concerns with alignment and/or anticipation. For example, in recent years, major airlines under federal deregulation have acquired regional feeder airlines as well as merged with other majors so as to control markets and airport terminal ports.

Proposition 4. The components of human systems exist at three analytically distinct levels—the philosophic level, the governance level, and the operational level (Lundberg, 1995).

Definition 18: The *philosophical level* refers to basic values and assumptions about reality.
Definition 19: The *governance level* refers to strategic beliefs and guides for when and how to perform specific activities.
Definition 20: The *operational level* refers to situation-specific expectations and activities.

For example, if a professional school assumes that its long-run success is reputationally based and that reputation, in large part, reflects its faculty's research productivity, such a school is likely to have relatively low teaching loads, have one or more research centers, hire faculty for their research potential, use students as research assistants, and so forth. Faculty promotion and compensation will then primarily reflect the degree to which the faculty engages in publishable research and less on student- and teaching-related activities (e.g., advising, creating instructional materials, assisting in placement, and supervising internships).

Proposition 5. Human systems have meaning components at all three levels (per proposition 4) which reduce uncertainty by guiding, explaining, and justifying system actions: assumptions and values at the philosophical level, strategic beliefs at the governance level, and expectations at the operational level.

Definition 21: A *meaning component* is a mental statement of the form that some activity or action will, with some probability, result in some outcome.
Definition 22: *Assumptions* are the shared premises by means of which a human system defines reality (e.g., the nature of truth, human nature,

human relationships, what is right and true, and the nature of time) (see, e.g., Schein, 1985).
Definition 23: *Values* are the collective sense of what a human system should and should not strive for; values are the real ideals and sins of human systems (e.g., Walter, 1994).
Definition 24: *Strategic beliefs* largely reflect human system assumptions and values and they generally outline how a human system succeeds. Common strategic beliefs for human systems in organizations have to do with how to compete, how to satisfy stakeholders, elite entitlements, and resource management (e.g., Lorsch, 1985). Strategic beliefs specify when, where, and how operational level components are to be used.
Definition 25: *Operational expectations* are cognitive linkages between specific activities and specific outcomes (Schutz, 1967).

These meaning components can be based upon either empirical facts or on imagined, even fictional ones. At the philosophic level, meanings strongly influence the human system's purpose and direction (i.e., its "vision") and always speak to change (e.g., whether change is desirable or not, feasible or not, easy or difficult to achieve, only reactive or not). Strategic beliefs are about the aspirations of the human system (e.g., what leads to success in particular contexts, how stakeholders and constituencies are likely to be satisfied, and what constitutes appropriate operations). In organizations, these strategic beliefs are typically found in sagas, myths, customs, and mission statements (Starbuck & Milliken, 1988). Operational expectations are typically acquired both formally and informally through training, coaching, imitation, stories, and the like.

Proposition 6. Human systems have activity components at two levels—governance recipes and operational routines.

Definition 26: *Activity components* hold observable, patterned, reoccurring behaviors.
Definition 27: *Governance recipes* are activities that prescribe where, when, and how operational routines should be activated.
Definition 28: *Operational routines* are activities that prescribe how specific performances are accomplished.

Activity components, like meaning ones, are learned and thus often are similar, or somewhat so, across human systems that share cultural, occupational, industry, and organizational contexts. Organizational examples of governance recipes are formal strategies, policies, codes of conduct, professional standards, formal structures, and macro-technologies (e.g., mass production assembly lines)—all of which function to guide the activation of operational routines. Routines are more specific in that they inform per-

sons how to perform particular tasks, how to relate to others, how to use technologies, and so forth. Organizational examples of operational routines are rules, norms, job descriptions, standard procedures, instructions, and micro-technologies (e.g., electronic data-processing programs).

Proposition 7. In general, meaning components influence activity components, and the philosophic level influences the governance level, which in turn influences the operational level.

> Definition 29: *Influence* is when one component produces an effect on another (i.e., it appears to guide or control the other component(s)).

The meaning and activity components and the pattern of influences (across these components at the philosophic, governance, and operational levels) described above are illustrated in Figure 7.1.

Propositions 1 through 7 outline human systems as an analytical unit of meanings and activities. Since the parties to a consultancy—clients and consultants—are human systems, they both may experience anxiety when they perceive uncertainty. Since human systems can experience assistance through uncertainty reduction, both consultants and clients may help themselves as well as each other. Since human systems exist in and have exchanges with portions of their environment, then clients and consultants can be part of each other's environment. When clients and consultants are involved with the uncertainty reduction of one or the other, this involvement can also contain uncertainty. Since consultants and clients can be dependent on each other and can reduce the uncertainty of the other, both can experience assistance by the other. This point is important, since most views of the consulting process emphasize the consultant assisting the client, not the reverse.

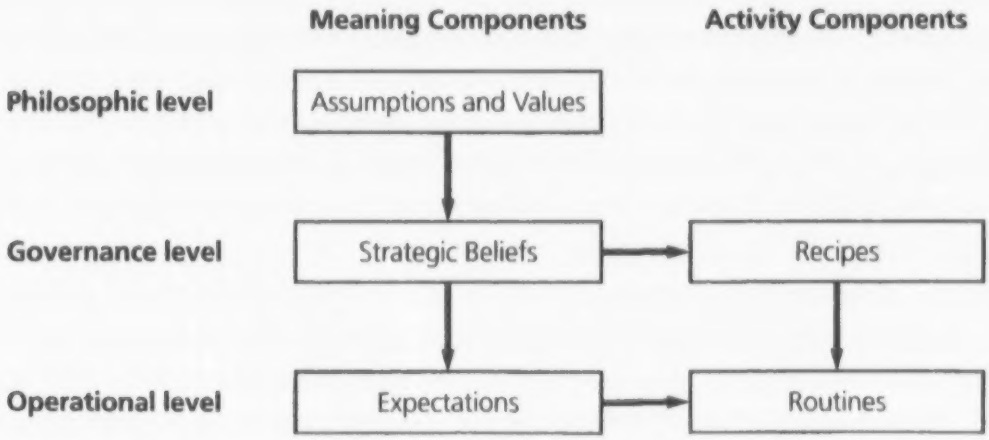

Figure 7.1. The components and patterned influence within human systems.

THE LOCI OF UNCERTAINTY

Up to this point, the stimulus for assistance, either sought or proffered, has been the anxiety associated with uncertainty. But, where is uncertainty located? Our conception of human systems as composed of an ordered configuration of related meaning and activity components permits the designation of four general, possible sources of uncertainty, as outlined in the following propositions.

Proposition 8. Uncertainty for human systems occurs in the missignification of meaning components.

> Definition 30: *Missignification* refers to erroneous, invalid, improbable, or undesirable meanings (i.e., either the probability that an action results in an outcome is zero or very low), or the circumstances where an action is likely to result in a particular outcome is not understood.

Consultants and/or their clients, for example, might believe that under downsizing, morale can be maintained by sponsoring employee social events.

Proposition 9. Uncertainty for human systems occurs when the meaning components between levels of meanings are misconstrued.

> Definition 31: *Misconstrual* refers to when the meaning components at two or more levels are inconsistent and hence disconnected with each other (e.g., lower levels of meaning components do not reflect higher levels).

A business unit, for example, may hold the belief that teams and teamwork provide a needed distinctive competence but also hold the expectation that individual-based incentives motivate best.

Proposition 10. Uncertainty for human systems occurs when meaning components are misinterpreted in activity components at the same level.

> Definition 32: *Misinterpretation* refers to when an activity component is inconsistent with its corresponding meaning component (i.e., when a recipe or routine does not accurately reflect the strategic belief or operational expectation it is respectively based upon).

Proposition 11. Uncertainty for human systems occurs in the misspecification of activity components.

> Definition 33: *Misspecification* refers to lack of clarity in the rules that specify the context and the action-outcome relations for recipes and

routines (i.e., how, where, or when an activity results in an intended outcome is unknown or unfollowable).

For example, to enhance customer service a hotel added several complex computer programs to its front desk operations. These programs, however, required close attention by the front desk staff, resulting in less personal interaction with guests and increased guest complaints.

Propositions 8 through 11 are about the possible sources of anxiety as well as the general loci of uncertainty. Each of the general types of uncertainty may be further unbundled, of course. For example, missignification can occur at each level of meaning of a human system. At the philosophic level, sets of values and assumptions may be inconsistent within the set, as when a rancher with a stream might wish to both protect its fishery and take water out for irrigation even under drought conditions. At the governance level, a business firm can believe both that market share is best maintained through lowering prices and that its stockholders' satisfaction requires a steady flow of dividends. At the operational level, a front desk clerk might be told to adhere to the hotel's check-in procedures but at the same time do whatever it takes to satisfy a guest.

These four general sources of uncertainty can exist for all human systems—those nominally referred to as clients and consultants as well as the human system constructed of a client–consultant relationship. If human systems can be assisted through uncertainty reduction, then both consultants and clients may be so helped. If both consultants and clients are dependent on each other for assistance in their mutual human system, uncertainty about uncertainty reduction is possible.

THE PROCESS OF ASSISTANCE

In general, assistance occurs within a consultancy human system (composed of one or more client and consultant human systems), through a process where one or more of the consultancy subsystems experiences less anxiety because of uncertainty reduction.

Proposition 12. Uncertainty reduction comes about when a source of uncertainty is surfaced, assessed, and redesigned as appropriate.

Definition 34: *Surfacing* is the process of identifying a missignification, misconstrual, misinterpretation, or misspecification and making it explicit (i.e., bringing a source of uncertainty to awareness and expressing that awareness).

Definition 35: *Assessing* is the process of examining or investigating a missignification, misconstrual, misinterpretation, or misspecification so as to understand how or why it is inadequate or no longer appropriate.
Definition 36: *Redesigning* is the process of specifying a meaning or planning an activity (i.e., modifying one of the components of a human system).

Proposition 12 says, in effect, that uncertainty reduction is the product of sense making (Weick, 1995), a proactive, conscious effort where sources of uncertainty are noticed as discrepancies within a larger frame and dealt with. The proposition asserts that all the processes of surfacing, assessing, and redesigning must occur before uncertainty reduction will be experienced. The proposition carefully eschews, however, any assignment of which party in a consultancy does what, or whether a consultant is even necessary. It is a statement, therefore, of assistance possibilities—from self-assistance (when a human system, client, or consultant, or both, reduces its own uncertainties), to consultancy (when one human system assists another to reduce the latter's uncertainty).

Proposition 13. The more the congruity between two human systems, the easier it is for them to assist one another.

Definition 37: *Congruity* refers to when the meaning components at the philosophic level for two human systems are perceived by both to be essentially similar (i.e., they basically share to a large extent the same values and assumptions).

Congruity provides a foundation of meaning so that uncertainties with regard to strategic beliefs and expectations, as well as their associated misinterpretations and misspecifications, will be less ambiguous. Congruity, therefore, is a condition for the activities of surfacing, assessing, and redesigning meanings and activities. As an illustration, one consultant, well-known for his humanistic values, noted that he chooses not to work with traditional bureaucracies because "you can't grow flowers on an asphalt lot."

Proposition 14. The processes and activities of uncertainty reduction may vary as to their depth.

If activity components are the focus of uncertainty reduction, they are more superficial (i.e., behavioral recipes and routines are modified but the reasoning for their modification are unexamined). If meaning components are the focus of uncertainty reduction (missignification, misconstrual), then uncertainty reduction is said to be deeper. Alternatively, superficial refers to uncertainty reduction at the level where only expectations and routines are dealt with. Because deep uncertainty reduction

affects components of a human system that constitute its identity, they are more likely to be experienced as threatening and defended against.

Proposition 15. The longer uncertainty exists before being reduced and/or the greater the uncertainty, the higher the level of anxiety experienced by a human system.

Proposition 16. The higher the level of anxiety experienced by a human system, (a) the more its cognitive processes will be simplified, and (b) the more negative its emotional reactions will be.

Proposition 15 extends Premise 1. It formalizes the familiar, everyday process of how "concerns" (reflecting relatively short-term, low levels of uncertainty) may develop into felt "panic" and thus is a proposition about anxiety strength. Proposition 16, in conjunction with Proposition 14, reminds us of the consequences of experiencing high levels of anxiety. While attention and creative problem solving are narrowed, judgment, reasoning, and analysis regress (Mano, 1992; Schein, 1999; Staw & Barsade, 1993). In the extreme, in common parlance, we say that a person either freezes up or overreacts. These states are highly likely to impede the quality of thinking needed for uncertainty reductions, especially as they tend to induce conservative "display rules" (Rafaeli & Sutton, 1989), which are "norms that specify the range, intensity, duration, and object of emotions that should be experienced or expressed" (Ashforth & Humphrey, 1993, p. 89). Such heightened anxiety raises a number of implications for consultancy, perhaps the most important of which is that consultant–client human systems usually have to tend to their own distresses before tackling any situationally based uncertainty reduction (Lundberg, 2001).

DISCUSSION

The foundations for a general model of consultancy outlined above intentionally embraces all known types of helping relationships, from personal and spiritual counseling, to social work, to engineering and business consulting, to organizational and institutional development. It provides a common perspective and a common language that transcends the sometimes overly content- and/or context-dependent explications of change via helping, assistance, or consultation in various occupations, professions, and fields. In addition, the designation of uncertainty reduction as the underlying process intentionally embraces all known models of helping, assistance, and consultancy (e.g., the doctor–patient, supplier–purchaser, facilitator–peer models) (Lundberg & Finney, 1987; Schein, 1993).

Of note is this formulation's eschewing of the conventional parlance about symptoms, presenting difficulties, problems, issues, diagnosis, intervening, and the like—terms all too often never defined very carefully and usually reflecting particular structures, events, or contexts. The present conceptualization, in contrast, emphasizes the common process at the core of assistance and the general sources of uncertainty that underlie familiar classifications of psychological, physical, technical, or social-related problems, dysfunctions, issues, and concerns. Similarly, this perspective is conceptually blind to the restrictive dimensions of time and setting, therefore embracing such disparate activities as planned change, psychotherapy, action research, technical assistance, appreciative inquiry, marriage counseling, and reengineering.

In terms of its theoretical purposes, the present conception has elected generality and simplicity over accuracy, assuming that precision will increase when it is anchored in contexts. It appears to be ideologically neutral, that is, it does not seem to favor any special interests. Ontologically, however, because human systems are its defining analytical unit, it is likely to be centrist on an objective–subjective continuum. Whether it proves to be useful for both scientists and/or practitioners should remain an open question until it has been further elaborated and tested.

CONCLUDING COMMENT

This chapter has sought to bring needed attention to theorizing for consultancy by systematically elaborating the beginnings of a general theory. Much remains to be done. Initially, this theorizing should be mapped onto a large number of well-described cases that feature assistance. Cases should be sought that represent as wide a variety of types of assistance as possible. Such mapping would enable the face validity of the theory's outline. By attending to both modal as well as extreme cases—successes and failures—this fledgling theory may be nuanced and elaborated. The features of this theory that beg further development, among others, are (1) the initiation of assistance-centered consultancy, that is, how scouting, entry, and contracting or some similar contact patterns might be conceptually codified; (2) the consequences of either hurrying or delaying uncertainty reduction; (3) the explication of any personal attributes, system characteristics, or contextual factors associated with assistance effectiveness; (4) any systematic differences associated with the depth of meaning-focused assistance; and (5) patterns of assistance effectiveness that go with alternative styles of surfacing, assessing, and redesigning. This entire type of work, of course, also requires that the existing constructs of this theory be operationally

defined so that the propositions can be tested—not easy since the theory cuts across several levels of analysis.

The challenge now is to move forward—perhaps by refining and extending these beginnings, or perhaps by offering conceptual alternatives—but forward toward systematic explanation.

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CHAPTER 8

TOWARD A THEORY OF MANAGEMENT CONSULTING

A Proposed Model and its Implications[1]

C. Ken Weidner, II and Eli E. Kass

Management consulting is a growing and important sector of the modern information- and knowledge-based economy. Throughout the world, management consultants and consulting firms are called upon by organizations of all sizes and types to help clients respond to changing conditions and emerging opportunities. Relatively low barriers of entry to the field and an increasing specialization of knowledge (Weidner & Kulick, 1999) have combined to create considerable market opportunities for consultants and consulting firms, and have made the practice of consulting a subject of great interest among authors and readers for some time. Bookstores are stocked with a broad array of offerings on how to consult (cf. Armstrong, 1993; Bellman, 1990; Block, 2000; Freedman, 2000; Greiner & Metzger, 1983; Schaffer, 1997), as well as how to start (e.g., Biech, 1998; Biech & Swindling, 2000), manage (Maister, 1993), protect (Shenson, 1990), and develop (e.g., Bly, 1998; Lambert, 1997; Shenson, 1994; Shenson & Wilson, 1993; Weiss, 1992) a consulting practice. The increasing interest in consulting is unmistakable.[3]

CONSULTING AS AN APPLIED FIELD

Given the time pressures faced by consultants, and the applied, practical nature of consulting work, it is not surprising that the majority of writers about consulting are themselves consultants (e.g., Biech, 1998; Lambert, 1997; Maister, 1993; Weiss, 1992). While a number of research studies of management and organizational constructs have been conducted in or around consulting firms (including Maister, 2001), consulting per se has not been the explicit or primary focus of the vast majority of that work. More so than perhaps any other domain of management, published work on consulting has largely occurred outside of refereed journals (e.g., Bianco-Mathis & Veazey, 1996; Eubanks, Marshall & O'Driscoll, 1990; Laiken, 1993), in practitioner-oriented publications with a stated editorial interest in publishing applied work (e.g., *Consultants News*). Other outlets, including publications in the mainstream business press, have often profiled individual consultants (e.g., Stipp, 1995), tracked trends in consulting (e.g., Farnham, 1996), provided advice to clients on how to better manage their consultants (e.g., Anonymous, 1996; Byrne, 1994; Lieber, 1996), and discussed the challenges of "going solo" (Bianco-Mathis & Veazey, 1996).

Aside from articles in which a consulting firm is the organizational context in which an empirical study is conducted—and consulting is not the focal subject of the study—the vast majority of articles in refereed journals (e.g., *Organization Development Journal, Organizational Dynamics, Organization Development Practitioner*) are either (a) explicitly first-person reports of consulting interventions, or (b) conceptual descriptions of different aspects of the consulting process, including issues ranging from consulting techniques to marketing ideas to intervention methods to the legalities of contracting with clients.

THEORY AND CONSULTING

The purpose of this chapter is to create the foundation for a theory-based model of management consulting. The model is an attempt to (a) identify theory consistent with a vast—and varied—practical literature on consulting, (b) integrate phases of the consulting process into a cohesive whole that can be explored—in part or in whole—through empirical research, (c) encourage a new wave of rigorous academic research on consulting, and (d) precipitate the proposal of theoretical alternatives to this model.

The literature on consulting is relatively underdeveloped in terms of basic theory, not unlike the literature on organization development with which it is closely related and often overlaps (Weidner & Kulick, 1999). For many years, scholars have noted the lack of theoretical development in the

study of change and development (Kahn, 1974; Macy & Izumi, 1993; Pettigrew, Woodman & Cameron, 2001). Pettigrew (1985) described the organizational change literature as largely acontextual and aprocessual. Where explicitly based on theory, most of the research conducted in consulting firms has been based on theory developed to guide research across many different types of organizations (e.g., performance appraisal, communication, mentoring, network development). Often, these more general theories of organizational phenomena have been applied to an individual consulting engagement or, more often, the context of a consulting firm as a work organization.

Role of Theory

Theory development is central to organizational research (Eisenhardt, 1989). Theory is important because it frames how scholars and practitioners alike learn about organizations and their work. What one theorizes about the world of organization filters—if not determines—how and where we look for clues to the problems in organizations that interest us.

Theory has the potential to inform practitioners about the constructs and elements that are likely to be important in a given situation (Runkel & McGrath, 1972), helping us to make sense of and extend our knowledge of the phenomena in question. While consulting—and successful consulting—are of apparent interest to many, there is a noticeable absence of theoretical models regarding management consulting and its impact. This is not to say that there is a lack of published work addressing consulting; to the contrary, management consulting is a rapidly growing area. As noted earlier, however, published work on consulting consists mostly of descriptive, participant/observer accounts of the consulting process or a consulting engagement; as such, explicit theoretical grounding is rarely found. Yet, experience tells us that consultants generally apply some sort of theory in their work, although it is not clear whether "theory" describes "espoused theory" or "theory-in-use" (Argyris, 1990; Argyris & Schön, 1996). Consultants make a series of conscious and unconscious decisions to select which information they gather from a client when making an initial assessment, approach a client situation, or design an intervention. The manner in which they manage an engagement reflects some underlying—even if unarticulated—model of how organizations work and how the consulting process works. It is understandable that consultants are primarily concerned with *if* something works; our sense is that reflective practitioners and applied scholars are further interested in *why* and *how* something works.

Uses of Theory

A theory-based model of management consulting has the potential to be helpful in a number of ways. First, a theoretical model of consulting could be a useful aid in outlining what is known—and what is not known—about management consulting, its antecedents, and consequences. Each of these areas is complex in and of themselves, and relatively uncharted in terms of empirical research. Second, a theoretical model of consulting can provide a guide to understanding future experiences in consulting. A theory of consulting should be practical enough to help practicing consultants identify heretofore-marginalized aspects of the consulting process, client system, or their own work that present opportunities for growth or improvement.

Third, well-constructed theory has the potential to guide—and perhaps the effect of stimulating—future research. Without a theoretical model, it is likely that the consulting literature will continue to be dominated by a diverse body of practical articles full of rich reflection that capture and share examples of thoughtful and innovative consulting practices. Unfortunately, the current body of work is very limited in terms of its generalizability to different consulting firms, types of firms, or individual practitioners. Thus, rather than being disconnected from the applied work of consulting, a theoretical model should be of use to reflective practitioners and applied scholars, both challenging their assumptions and confirming their experiences.

Criteria for Model Development

Several other criteria were included in the development of this model. First, since consulting does not happen without a client, the model needs to include explicit assumptions about how client organizations function (i.e., without the presence of consulting interventions). Second, the model must deal with context on several levels (a) in which consulting firms operate, (b) in which client organizations operate, and (c) that are created as a function or by-product of a consulting engagement. Third, the model should be general enough that it could be applied to consulting practices of widely varied size, from one-person sole practitioners to large global professional services firms. Fourth, the model should be general enough that that it could be applied to interventions of widely varied size, from organization-wide interventions to individual coaching (a rapidly growing subfield within consulting). Fifth, the model should build upon existing theories from management and the social sciences.

Given these multiple criteria that we have imposed on the development of this model, and the scope possible in one chapter, it is inevitable that

this model will not address all aspects of consulting, organizational effectiveness, and organizational change. Much as in the realm of psychotherapy, we would suggest that consultants "...ought to be guided by a scientific process of generating and testing hypotheses *in the treatment of each individual client*" (Strauman & Kolden, 1997, p. 20, original emphasis). This model is constructed in a manner to both facilitate client-specific inquiry and be easily built upon, whether extended into internal operations of a consulting firm or deepened in a number of dimensions. Our goal is to provide a starting point for more fine-grained theory development.

DEVELOPING A THEORY-BASED MODEL OF CONSULTING

We begin developing a theory-based model of consulting by defining consulting, identifying the boundaries of consulting, and discussing the features of consulting that are fundamentally different from other occupations, professions, or business services. Since consulting does not happen without a client organization, we conclude the definitional portion of the model with discussion of a general model of organizational effectiveness. Based on these definitions and clarifications, we present a model of consulting, beginning with a client organization's self-assessment of its situation, through the decision to engage a consultant, through the engagement itself, and then through the client's or consultant's outcomes assessment after the conclusion of the engagement. Throughout the presentation of the model, we discuss potential avenues that future research might explore.

Defining Consulting

Management consulting has been variously defined by literally hundreds of authors, but most definitions share common characteristics. One of the more frequent and prominent aspects of most definitions of consulting describes a fundamental role of consultants as people or firms who help clients. This help can take many forms: helping a client to effect constructive change, helping through the provision of advice, and helping by developing the capabilities of the client organization. Barcus and Wilkinson (1994) reported the following definition as developed by directors of professional management consulting firms:

> Management consulting is an independent and objective advisory service provided by qualified persons to clients in order to help them identify and analyze management problems or opportunities. Management consultants

> also recommend solutions or suggested actions with respect to those issues and help, when requested, in their implementation. In essence, *management consultants help to effect constructive change* in private or public sector organizations through the sound application of substantive and process skills.[4] (p. 1, emphasis added)

The stock-in-trade of management consulting is (Barcus & Wilkinson, 1994):

> advice and technical assistance, where *the primary purpose is to help the client improve the use of its capabilities and resources* to achieve its objectives. For the purposes of illustration, "helping the client improve the use of its capabilities and resources" may include such activities as: 1) counseling management in its analysis, planning, organizing, operating, and controlling functions; 2) conducting special studies, preparing recommendations, proposing plans and programs, and providing advice and technical assistance in their implementation; 3) reviewing and suggesting improvement of policies, procedures, systems, methods, and organization relationships; and 4) introducing new ideas, concepts, and methods to management.[5] (p. 1, emphasis added)

This definition is precise and, at the same time, inclusive. Engagements from individual coaching through organization-wide planned change efforts are subsumed within this definition, as are many training, organization development (Dannemiller, James & Tolchinsky, 1999), and other management interventions. Such inclusiveness is likely a contributing factor to the large—and largely unintegrated—practical literature on consulting.

What Consulting Is Not

While this definition is intended to be helpful in determining what is or is not management consulting, it is also intended to be helpful in determining when and where consulting ends, and when other forms of non-consulting inter-firm business is being conducted, including contracting, outsourcing, temporary employment, and joint ventures. Such distinctions are made less often than perhaps ought to be the case. For instance, this definition distinguishes consulting from contracting, in which a firm hires another party to perform a task or function for a relatively limited amount of time. Contracting is often used in hiring external trainers, facilitators, programmers, or other individuals with specialized skills. Such practices can be invaluable to an organization that could not otherwise afford to have in-depth expertise in many subjects on staff (Block, 2000; Freedman, 2000; Maister, 1993, 1997; Schaffer, 1997).

Outsourcing

Outsourcing is a practice that is increasingly being adopted by modern organizations (Lever, 1997). While on the surface outsourcing might be perceived as similar to contracting, there are important differences. Outsourcing typically involves a longer-term commitment to the client–provider relationship by both parties, an identification of expected service levels (typically through a service-level agreement) as well as an intention to continue to do business together (Quinn & Hilmer, 1994).

Consulting as a Euphemism for "Unemployed"

"Consulting" is also often misused as a euphemism for "unemployed" by individuals between jobs or otherwise involved in reentering the workforce. In many fields (e.g., information systems), "temporary employment" is often confused with or referred to as "consulting." While paying a premium for the flexibility to quickly reduce costs by terminating temporary workers, firms and their temporary workers often fall into the trap of referring to the contractual work arrangement as consulting, even though the actual nature of their work does not at all resemble the above definition of consulting.

Consulting and Joint Ventures

Consulting firms have also expanded their portfolio of business arrangements to include direct financial investments in and joint ventures with their clients. Accenture (formerly Andersen Consulting) prominently featured the idea of joint ventures with clients in its highly visible campaign to launch the new company at the beginning of 2001. Bain & Company's Bain Capital venture-capital arm has made similar investments since its founding in 1973 (O'Shea & Madigan, 1997). These activities, however, are direct investments for an equity stake in a company. Investments may be made in non-clients, and not all clients will be recipients of direct investments.

Joint ventures do pose an interesting set of questions (for a discussion of strategic alliances, see Joshi & Inkpen, 1996). First among these is the extent to which consultants involved with such "clients" are more likely to be regarded as "insiders" by the Securities and Exchange Commission. Second, it has yet to be seen to what extent direct or joint venture investments operate as mechanisms that align consultants with their clients' goals. Third, while an obvious conflict of interest exists when the same firm (e.g., Arthur Andersen) audits a company (e.g., Enron) and also provides consulting services, it is not clear at what point (or how) a consulting firm making a direct investment in a client would create a potential conflict of interest.

Vendors, Suppliers, and Salespeople

Given the loose application of the terms "vendor," "source," and " supplier," and the ways in which these are fluidly interchanged for the term "consulting," it is not surprising that theorists have found the prospect of developing and refining the construct of consulting per se to be an unappealing project. However, these boundaries are important; in no small part are they helpful in establishing boundaries that a theory of consulting has to reach, and are at the same time liberating in that the theory of consulting is not required to explain all of the described forms of non-consulting inter-firm behavior.

A vendor or supplier is a business relationship that provides some good or service, and there are at least two points of potential confusion with "consulting." First, companies selling all types of products have tried to position themselves and their offerings as providers of "solutions" rather than products; the consultative service and support that comes with the purchase of a product or service represents one point of possible confusion. A second possible point of confusion is the widespread adoption of "consultative selling " (Hanan, 1995) or situational selling (Rackham, 1989, 1996; Rackham & DeVincentis, 1999; Rackham & Ruff, 1991) in which a company positions its sales force as "consultants," "account representatives," or with similar titles. If a role is primarily defined by selling to clients rather than by providing advice to clients, then it is more likely a vendor or supplier relationship rather than one that would be considered a "management consultant" under the definition being used here.

Description: Salient Features of Consulting

In summary, consultants help to effect constructive change through the sound application of outcome and process skills (Barcus & Wilkinson, 1994). At the same, this definition is precise enough to identify salient features of consulting that should be addressed within a proposed theoretical model.

Consulting Involves Independence from the Client

Management consulting is a business and, just like any other business, has a legitimate profit motive. If a firm is financially dependent on a client, that dependence may compromise the firm's ability to give the client appropriate and objective advice and help. For example, while the collapse of Enron in 2001–02 was due in part to executives' inappropriate conduct, this misconduct was compounded by what increasingly appears to be the "free ride" audit provided by Arthur Andersen—the firm's "independent" auditor. The consulting work for Enron represented revenues that were more than twice the financial income of the audit services Andersen provided.

Consulting Is a Service

Whether conceived as a professional service or as a service business, clients' experience with a consulting firm and its members in terms of the service they receive is a very important facet of an engagement, in addition to the firm performing the professional services agreed upon (Maister, 1993, 1997). This dynamic implies that applied research on managing services (e.g., Schlesinger & Heskett, 1991) may also be appropriate in a consulting firm.

Consulting Is About Helping Clients

Clients generally have the ultimate responsibility for managing their own organizations and making decisions. While consultants can take on a variety of roles within a client organization (see, for example, O'Shea & Madigan, 1997), even in those engagements in which a function or even a business unit are turned over to a consultant, the purpose of the consultant's function is to help the client. Taking over a function or position can help a client in a variety of ways, including (a) buying the client some time in order to arrange a more permanent solution, (b) introducing leadership and ideas from outside of the client organization, or (c) complementing the clients' existing resources with little lag time.

Consulting Involves Making Recommendations and the Provision of Advice

Making recommendations and providing clients advice is part and parcel of the consulting process. Although some consultants working in more process-oriented arenas of consulting (e.g., organization development, nondirective coaching) might disagree, process recommendations and interventions in the form of a "question" are, at their core, a recommendation. While recommendations from content-based consultants might include decisions regarding strategy or product positioning (just to name a few), process-based consultants also make recommendations, for instance, that a client adopt a specific process, explore a particular issue, or consider a specific approach.

Consulting Can Involve Implementation

While many writers about consulting believe that responsibility for implementation lies solely with the client, helping the client with actual—rather than anticipated—implementation appears to be on the increase (Cockman, Evans & Reynolds, 1996; O'Shea & Madigan, 1997; Schaffer, 1997). Understandably, clients are increasingly harboring the expectation that their consultants will help make their recommendations work.

Consulting Helps Clients Effect Constructive Change

An organizational change that results from a consulting engagement might be explicitly assessed or not assessed at all, as a matter of client inclination, preference, or habitual procedure. Yet, whether or not a formal or explicit assessment of change takes place, consulting should be delivered so as to help the client effect change that is constructive and represents a steward's perspective on client resources.

Consulting Involves Substantive and Process Skills

Research by Hiebert and Olthius (1995) indicates that highly effective internal consultants possess both technical/substantive and process skills. They also found that technical skills alone are not enough, even though those skills represent a base of knowledge that is a significant part of clients' motivation to work with a consultant.

Consulting Involves Helping the Client Improve the Use of Its Resources and Capabilities

Consistent with a growing body of work in the strategy/policy literature, clients should take full account of their organization's resource capabilities, especially in the context of the resources and capabilities of competing firms in the same market(s). While goals or objectives outside an organization's resources and capabilities may identify lucrative opportunities, the most rational basis for planning future actions of an organization is its existing resource base (Barney, 1991; Grant, 1998; Mahoney & Pandian, 1992; Peterlaf, 1993)—since these are the resources on which the company can draw. Consulting, then, should help clients both understand and increase the value of their resources and capabilities.

Consulting Involves Helping the Client Achieve Its Objectives

Rather than the client existing to meet a consulting firm's objectives (although it might well do that), clients exist to meet their own needs and objectives. Thus consulting should be developed in terms of the client whose objectives are the target of achievement. Thus, a consultant's recommendations should be aimed, first and foremost, to help the client achieve their stated objectives (and, in some cases, a client's objectives might be to determine exactly what those objectives are).

While each of these premises reflects individual aspects of consulting, taken together they only comprise a *description* of consulting rather than a theory of consulting (Bacharach, 1989). The value of well-crafted theory is that it serves as a guide to what might be investigated about a subject of interest. Therefore, while a model of consulting might include any or all of the above, we need a set of plausible explanations—a model built on theory—of how these factors might be related. Given that consulting is an

inherently complex process that spans multiple organizations and, often, multiple levels of analysis, we need to draw upon several disparate areas of theory. Consistent with Pettigrew and colleagues' (2001) suggestions for improving research on organization change and development, we believe this approach will be especially useful in areas of the model where different theories could be examined (in future studies) that might look at competing theoretical explanations of the phenomena in question.

Theory Bases

Drawing on the previous discussion, we combined these descriptive elements of management consulting into four clusters: relationship, expertise, change, and organizational effectiveness. Although these groupings are somewhat arbitrary, they serve to ground elements within each cluster in a common base of well-established theory and empirical research. We discuss the first three of these in this section, after which we turn to conceptions of organizational effectiveness as the first component of our proposed model.

Relationship: Helping, Service, and Ethics

Consulting is often referred to as a "relationship" business. This practical wisdom suggests that theory about relationships should be brought to bear on relational aspects of consulting. Consulting is also a service business—specifically, a professional service. The nature of professional services (Maister, 1993) suggests that clients often do not always possess the expertise to distinguish good work from bad—until it is too late. Not surprisingly, clients prefer to retain consultants they are comfortable with.

Social exchange theory (Blau, 1964) has been the basis for a large body of work exploring relationships and behavior in the workplace and other settings. This theory posits that there are basically two kinds of relationships people have with each other: social exchange (Blau, 1964) and transactional (Weidner, 1997) or economic (Blau, 1964) exchange (hereafter referred to as "transactional exchange"). Blau (1964) argued that social exchange occurs dynamically and continuously in organizations to create an ambiguous and pervasive social contract between the individual and organization. Social exchange relationships are characterized by sets of fuzzy exchanges, escalating in value without calculation of a quid pro quo at each exchange of social currency. In contrast, transactional exchange relationships are negotiated or (at the least) specified in economic or transaction-specific terms. Applied to management consulting, social exchange theory suggests that if relationships between a consultant and a prospective client become perceived as social (rather than transactional) exchange rela-

tionships, it is far more likely a client will decide to engage the consultant. Past research (Formichella & Thomas (1989) suggests that this will be the case even if the consultant selected is not the most financially advantageous for the client, "...the business relationships between... [parties] ...assumed social characteristics rather than economic ones" (p. 267).

If consulting is about helping clients, both social exchange theory and theories of clinical counseling (e.g., social work, psychology, mental health, physical and occupational therapy) might be brought to bear to explore the nature of consultant–client relationships, how those relationships are formed, and how they are maintained. To the extent that teams are involved (in the client organization, in the consultant team, or both), the literature on teams (e.g., Katzenbach & Smith; 1993; Larson & LaFasto, 1989) could guide research into how highly effective client, consultant, and client–consultant teams form and operate.

As stated earlier, consulting may or may not involve implementation. Aside from the ethical concerns such practice might raise (see O'Shea & Madigan, 1997), implementation can be thought of as a separate engagement in and of it self, or as a defining element of the client–consultant relationship. Implementation is primarily a question of role definition, and, as such, we see it as a by-product of the relationship factors described above.

Consulting is not only about relationships, at its core it is about one business organization helping another. Thus, it would be interesting to explore situations where the instrumentality of one consultant's expertise predominates in the face of a greater social exchange relationship with a second consultant, as well as the reverse—when a relationship trumps a greater amount of expertise. For a consultant with a one-of-a-kind solution to a client's "mission-critical" situation, it would be interesting to explore whether the relationships between the prospective client and that consultant maintain high levels of social exchange or become highly transactional.

After much consideration, we decided not to include ethics as a stand-alone element in this model. Rather than a discrete set of behaviors, we take the view that the professional ethics of a consultant and of consulting firms can best be understood by examining how members of a firm conduct themselves while fulfilling their responsibilities to their fields, their clients, and their firms. Such an integrative approach to ethics and ethical conduct is a worthy subject of future research (see Gellerman, Frankel & Ladenson, 1990, for more information).

Consultant Expertise: Knowledge, Skills, Abilities, and Assessment

Consulting involves an array of complex and integrated substantive and process skills. Combined with their knowledge about how organizations work and organizational effectiveness, consultants' skills, abilities, and knowledge are important elements in the success of an engagement. These

factors need to be present if consultants are to make effective recommendations and provide useful advice.

As Schaffer (1997) and others (e.g., Bellman, 1990; Lippitt & Lippitt, 1999) point out, an engagement should explicitly involve a transfer of knowledge to the client that increases the client's ability to use its resources and capabilities. While in some ways this might be thought of as a relationship factor, this aspect of consulting clearly requires expertise upon which recommendations can be made. In addition, expertise and judgment are essential to accurately assess a client organization.

Change in Organizations

As noted earlier, consulting's central purpose is to help clients effect constructive change. This responsibility to clients calls for a grounding in the theory of change with respect to individuals (Lewin, 1951) and change in systems (Nadler & Tushman, 1977). Given the variants of Lewin's (1951) original theory of change, different competing models explaining change in organizations could be examined.

Change, leadership, and communication are intertwined, and it may be difficult to separate the effects of one or the other. Theory regarding communication as ongoing organizing (Weick, 1979) could be used to assess the relative coherence of planned change and the relative alignment of organizational systems with planned changes. This might be especially useful as part of a preassessment before change is initiated (and a consultant engaged to help the organization). Furthermore, since a good amount of leading change in organizations involves relying on others for direction and support, social exchange theory again seems to be an appropriate source of theoretical guidance to research.

Another promising area for developing theory about consulting is the literature on organizational learning (Senge, 1990; Senge, Kleiner, Roberts, Ross & Smith, 1994), defensiveness (Argyris & Schön, 1996) and defensive mechanisms (Kearney, 1996). By studying engagements within a firm's portfolio of engagements (i.e., to control for firm-level differences, see James, Demaree & Wolf, 1984), much could be learned about the characteristics of clients, engagements, and client–consulting relationships and the presence—or lack—of denial (Schaef & Fassel, 1990). Defensiveness or denial is very frustrating to members of a client organization and consultants alike (Kiechel, 1993); denial also may be a symptom of tremendous opportunities for organizations if it can be identified and removed in a positive and nonthreatening manner.

If organization change is about breaking the cycle of repeated routines and instilling new routines, then the metaphor of addiction therapy (and related mental health areas of practice and expertise) might be more literally applied to organizations (Schaef & Fassel, 1990) in terms of both the

client–consultant relationship (see Weidner, 1998) and the methods by which the engagement/intervention is designed (e.g., Barber, 1994; Drapela, 1983; Kearney, 1996). Drapela (1983), for example, specifically coupled counseling skills (Brammer, 1979) with consulting skills (Lippitt & Lippitt, 1978), and explains how these two sets of skills are complementary rather than redundant. Since consulting at its core involves helping the client achieve its objectives, it seems that there is largely untapped theory and practice base in the helping professions that can be drawn upon to answer criticisms regarding a lack of theory-based practice in consulting, organization development, and human resource development.

Negotiation

Since defining an engagement and contracting involve negotiation between two parties, the theoretical bases for research on negotiating should be applied to the mutual process of due diligence between organization and consultants. Lewicki, Saunders and Minton (1999) point out that a necessary step in every negotiation is to "clarify and share information about what both parties really want as outcomes" (p. 12). This dynamic creates two dilemmas, one of honesty (how much should one party tell the other?), and the other of trust (how much should a party believe what the other party tells them?). Both of these dilemmas lend themselves to empirical investigation. For example, the candor of disclosure could be examined in terms of its impact on the strength of long-term client–consultant relationships, how roles and responsibilities are established (and maintained) between both parties, and on formal statements of expectations by client sponsors to members of their organization. Another interesting line of research could explore the extent to which clients and consultants reveal their own thinking and motivation in advance of an engagement.

MODELING ORGANIZATIONAL EFFECTIVENESS

As discussed earlier, it is necessary to make explicit assumptions of organizational effectiveness in the course of developing a model of management consulting. In this section, we present existing work on organizations and organizational effectiveness that we integrate with the earlier definition of consulting.

Organizational Effectiveness: Resources and Capabilities, Open Systems, and Assessment

The resource-based view of organizations has been a part of the strategy literature for a little over a decade (Barney, 1991), and represents a turning point in the study of organizational strategy, strategy development, and organizational effectiveness. In essence, the resource-based view of the firm examines the internal resources capabilities of a firm vis-à-vis its competitors (or potential competitors), and builds its strategy not in terms of a broad definition of customers' needs (Levitt, 1960, 1986), but from the resources and capabilities the organization actually possesses. This marks a departure from the instability inherent in an emphasis on a market- or customer-based strategy, which might identify opportunities that were attractive, but nonetheless unrealistic for an organization to pursue.

Organization Resources and Capabilities

An organization's resources and capabilities are among the primary drivers of organizational effectiveness, efficiency, and the development of new capabilities. As Stewart (1997) has observed, an increasing critical mass of these capabilities is in the form of intellectual capital, knowledge, competencies, or related capabilities. Consulting firms are uniquely positioned to meet clients' increasing needs for rapid mobilization or development of capabilities in response to changing competitive or market conditions (Peters, 1999).

Open Systems

Organizations have been conceived as open systems models for some time (Cavaleri & Obloj, 1993; von Bertalanffy, 1951, 1952). Systems theory posits that, at its most basic level, an organization brings together resources and capabilities (e.g., labor, capital, raw materials, good will, knowledge), and transforms those inputs (creating value), resulting in some output (see Figure 8.1). An organization's customers provide resources to the organization (in the form of payment)—resources with which the organization can continue to enhance its resources and capabilities. This basic conception of an organization is helpful because it helps identify not only how an organization recognizes a need for change (and perhaps, a need for consulting assistance), but also the ways in which consulting firms can help them.

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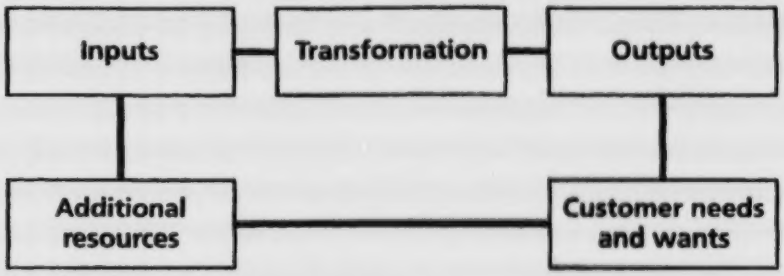

Figure 8.1. Open system model.

Assessment

Whether assessed as part of a regular pattern of periodic organizational self-assessment (e.g., strategic planning), as an ad hoc process (precipitated by changing events, new information, internal developments, changing trends, emerging technology, environmental shifts, competitive developments, or other factors), or on a continuous basis (e.g., balanced scorecard), an organization's understanding of its situation leads to considerations for seeking help from management consultants. A cycle around the resource-based view of an organization makes fairly clear the reasons why this is the case. Disruptions or changes in the status of an organization's *resources* (staff, intellectual capital, patents, locations, innovations) create new challenges for an organization. An organization's *transformation processes* may be perceived as less efficient or less effective than is possible—or what competitors are able to attain. An organization's *output* may be the focus of improvement, especially in a market with able competitors. *Customers*' changing expectations may disrupt not only current operations, but also the availability of additional *resources* to the company.

The Multilevel Influence of Contexts

An organization's internal and external contexts—and the norms created by those contexts—have the potential to exert a disproportionate influence on individual behavior, to the point where an organization develops a "culture" of its own (Cooke & Szumal, 1993). Organizations are also part of a larger system—its sector of the economy or industry—in which norms can take hold across many organizations. Thus, the context of the situation in question, the consulting firm's culture, and the norms within its sector of the consulting business all have ramifications for consultant–client interactions and outcomes.

Client Context: Organizational Culture

As compelling as the resource-based view of the firm is, unless organizational culture—as expressed in shared norms and expectations—is a particular strength vis-à-vis an organization's competitors, culture tends to get short shrift in the literature on strategy development and implementation. This lack of emphasis is somewhat surprising, since many students of organizations have explicitly expressed the important of organizational culture (e.g., Schein, 1990, 1992). Rather than reconstructing the resource-based view of the firm—a prospect well beyond the scope of this chapter—we have positioned organizational culture as an organizational-specific context with the potential for broad and pervasive influence on behavior and thinking patterns of an organization's members (Bryk & Raudersush, 1992).

Cooke and Lafferty (1986) developed a model (and measure) of organizational culture containing three dominant "styles" of organizational culture. A growing body of research (cf. Cooke & Szumal, 1993; Xenikou & Furnham, 1996) has linked *constructive* norms and expectations (that members of an organization will behave in ways that fulfill their higher-order satisfaction needs) to acceptance of change (cf. Cauldron, 1992; Morris, 1994), and higher levels of organizational performance (Kosmoski-Goepfert, 1994; Rousseau, 1990; Shortell & Associates, 1994), sales growth (Klein, 1992), and service quality (Klein, Masi & Weidner, 1995). Also, a growing body of research has linked (a) passive-defensive norms and expectations (that members of an organization will interact with people in ways that fulfill their own security-based satisfaction) and (b) aggressive-defensive norms and expectations (that members of an organization will perform their tasks in ways that fulfill their own security-based satisfaction) to greater resistance to change (Morris, 1994), reduced change success (Thornbury, 1994), higher levels of organizational turnover, lower levels of organizational performance (Rousseau, 1990), and reduced employee commitment (Lahiry, 1994). While organizational culture is by no means the sole determinant of an organization's success, it makes sense both theoretically and empirically to control for the effects of an organization's culture on organizational effectiveness. Researchers exploring these issues should consider designing studies employing a "nested-hierarchical design" (Bryk & Raudersush, 1992), which should help isolate the effects of independent variables on dependent variables that are not explained by organizational culture.

Client Context: Industry/Sector

Just as organizations do not exist without their culture, unless an organization is the first to establish a new market, there are likely other organizations in the same industry or sector of the economy. Shared norms and expectations exist within industries (as any consultant can attest), and

these norms may be strong and pervasive in terms of affecting executives' and organizations' behavior. For instance, the first author has served as a consultant to a number of hospital clients, and it is apparent that various norms within the field of hospital leadership exist and shape healthcare executive thinking and actions. We believe that industry-level norms have both a significant indirect effect on a company's norms, and a significant direct effect on how a consulting engagement is agreed upon, executed, and evaluated. Thus, the theoretical model includes shared norms as an explicit variable to be accounted for in consulting–client research.

Consultant Context: The Firm's Culture

Every organization has a culture, whether formed intentionally or by happenstance. A salient feature of an organization's culture is its shared norms and expectations (Cooke & Szumal, 1993; Schein, 1990, 1992; Xenikou & Furnham, 1996) that serve as a powerful social referent to influence and guide members of a firm in altering or maintaining their behavior. In a large body of research on organizational culture and organizational effectiveness, shared norms and expectations have been shown to have a significant influence on perceptions of service quality, members' receptivity to organizational change, perceived control in the work environment, workplace safety, sales growth, market share, and employee turnover.

It is reasonable to assume the culture of a consulting firm—as manifested through shared norms and behavioral expectations, would have a significant impact on consultants' behavior during an engagement, and, by extension, an impact on the success of the engagement. In addition, a client organization's shared norms and expectations greatly influence the extent to which the organization may be ready, willing, and able to successfully implement planned change. While practitioners have long lamented the number of change efforts that have fallen victim to change-resistant organizational cultures, integrating an assessment of a client's culture and a consulting firm's culture could develop important new knowledge about the probability of change success. Determining that an organization was willing, but not able or ready, to implement planned change might result in an organization's leaders rethinking their approach to change; the organization may need an interval of time in which it develops key capabilities or addresses issues that would serve to undermine planned change. Based on consultants' reports of failed change efforts, it would seem that potential savings from not implementing high-risk, low-payoff organization change would represent a substantial savings to many organizations and result in a more prudent allocation of resources.

Consultant Context: The Firm's Professional Community

Consulting firms and their organizational clients also operate in relatively specific professional communities and industry associations and share a general identity with others in the same line of business. For instance, within the field of auditing, there are pervasive norms across similar firms regarding conservatism to be brought to bear on a client's end-of-year audit. On the client side, many organizations identify with similar organizations. For instance, fire departments identify with other fire departments, and hospitals identify with other hospitals. Although differentiation is a strategy of many of these firms, their own approach and experience are often bounded by what "the industry" is doing. For instance, in the late 1990s, many hospitals laid off staff in their efforts to reduce their overabundant capacity. Many HR executives within hospitals kept close tabs on what was going in the industry and adjusted their HR practices accordingly.

Some organizational norms are artifacts of the industry, field, or niche that the organization is in. It is likely that some norms experienced at the firm level will be an artifact of these "structural" norms. Future research can explore the prevalence of industry norms and when those are stronger than organizationally bounded norms.

Summary

Using an open systems perspective, organizations can be viewed as coordinated, concentrated entities with resources and capabilities. This perspective suggests that organizational resources and capabilities are enhanced by meeting or exceeding customers' expectations, that several elements of organizations (input resources, access to resources, input-transforming capabilities, outputs, and customer needs and expectations) can serve to identify projects where the organization's resources and capabilities might be enhanced by working with a consultant.

Drawing on the preceding discussion, our focus now shifts to the consulting engagement itself, in terms of the nature of such engagements and the process by which an engagement becomes defined and initiated. What seems particularly useful about a resource-based view of the firm is not only the explicit delineation of a model of organizational effectiveness, but also a way of conceptualizing the ways in which management consultants can add value to clients (see Figure 8.2).

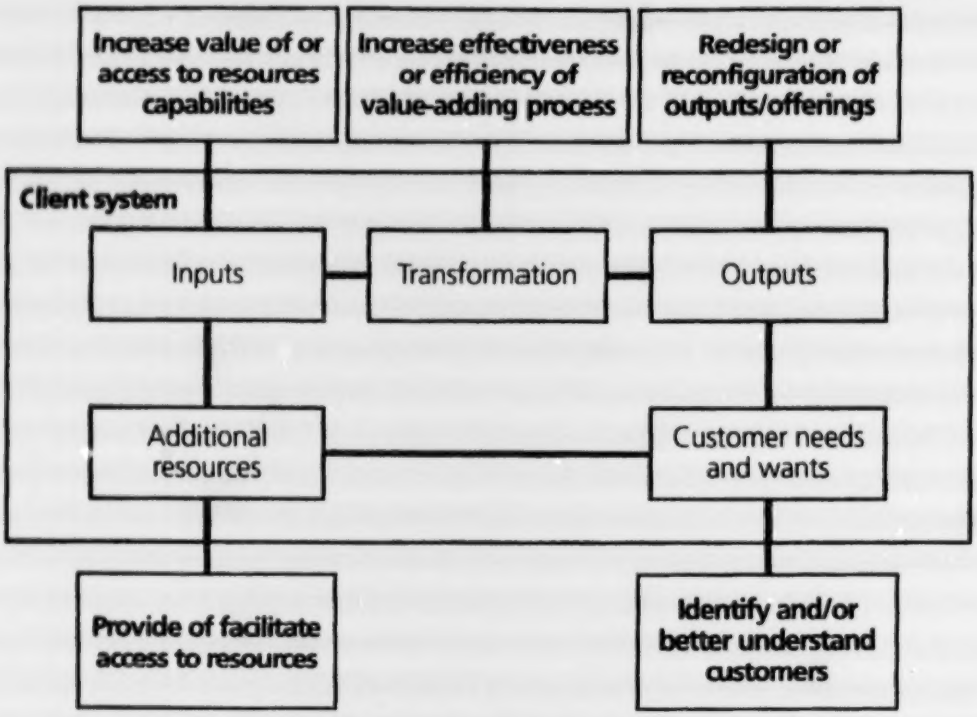

Figure 8.2. Illustrations of value added by consultants.

DEFINING THE PROCESS OF DECIDING: WHAT IS AN ENGAGEMENT, AND HOW ARE THEY FORMED?

In this section, we move from an organization's self-assessment that leads to consideration of a management consultant to the process by which a consultant is contacted, a potential engagement discussed, and a decision is made by both parties to commence an engagement.

Defining Engagement

An engagement is an agreed-upon project involving both a consultant and a client (Barcus & Wilkinson, 1994). For an engagement to be created, a client's self-assessment is coupled with both its readiness for change and a consultant's capabilities. The former distinction is perhaps subtle, but nonetheless important. Although a client may (or may not) fully understand its own situation, a situation that is not sustainable or needs to change is not the same thing as the client being ready, able, and willing to change (Schaffer, 1997). As Schaffer (1997) observed, too often consultants commence engagements without assessing a client's readiness and

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willingness to change; instead, consultants define an engagement about the consultant's expertise (e.g., reengineering) or the client's need (e.g., enterprise-wide information system improvements). One of the problems with this approach, which Schaffer (1977) and others (e.g., O'Shea & Madigan, 1997) have pointed out, is that a consulting firm's expertise might seem relatively endless, and hence unduly—or perhaps even unethically—expensive. Difficulty may also arise when a client's situation presents needs that will overwhelm the organization if all of the aspects of its problems are tackled at once. This is not to say that a client's problems are not all urgent and important, and need immediate attention; instead, we are suggesting that assessing a client's readiness and willingness to change should be a factor in the decision to go ahead.

What this is really speaking to is a client's motivation, which might be widely varied but still wind up with the same result. For example, the first author had contact with a consumer goods manufacturer whose competitors were much bigger and hence had more marketing clout. When the company learned that the two leading companies in the industry were implementing "quality" programs, it explored its options and engaged a well-known consulting firm to conduct a "quality program" of its own. While the stated motivation was to "improve quality," behind the stated reason was the company's deeper motivation: to maintain parity with much larger competitors. As one can imagine, executives' readiness to change was significantly less than if a different motivation—*a part of its own assessment*—was behind the quality initiative. One of the challenges in researching why engagements start is to uncover clients' thinking, motivation, and change readiness *in advance* of a decision to initiate large-scale, consultant-supported change, rather than as part of a post-hoc recollection of the change initiative's formative stages.

Within the decision to commence an engagement, both client and consultant are likely to assess their fit—on both a business (i.e., resources and capabilities) and an interpersonal (relationship) level (Lewicki et al., 1999); conceivably, this assessment could potentially happen in advance of commencing each engagement. From a business perspective, an engagement makes sense if the engagement is perceived to have a good likelihood of enhancing the client's resources and capabilities. In other words, the resource-based view of the firm is mirrored by the other party to the relationship—the client. While to this point, we have discussed the resource-based view in terms of the clients' resources and capabilities, consultants have resources and capabilities to manage as well. One of the reasons why engagements do not meet each parties' expectations is that the short-term (cash) resources tend to outweigh or overshadow the longer-term needs. It would be interesting to study the optimum level of disclosure in terms of a client commencing an engagement (of primary interest to a consultant),

and in terms of the engagements net effects on the client's resources (of primary interest to a client).

Client Readiness for Change

An organization's readiness for change may have been an intellectual exercise during a self-assessment, but initiating a process that may result in a consulting engagement represents an escalation of commitment on the part of a prospective client. However, readiness to discuss a situation with a consultant does not necessarily represent a commitment to change, nor does the execution of an agreement that initiates and defines an engagement. A good portion of a client's readiness to change is intangible, and one of the most difficult factors for an organization or its consultants to assess. Before the onset of planned change, it can be hard for clients and consultants alike to understand the complexity or difficulty that will be faced (Burke, 1987).

Consultant Factors

A variety of consultant-related factors may influence a decision to initiate a consulting engagement. Aside from the consultant's technical expertise, skills, and capabilities, consultants and their firms may bring approaches (or a narrow or wide range of approaches) to change, consulting, methodologies, negotiations, influence, and ethics. A consultant's experiences also are important, as few clients want to place their organization in the hands of someone who is inexperienced (unless the clients know that they and the consultant are "experimenting").

One of the other factors consultants bring to an engagement is their mental models of organization, and a sense of where—and how—they believe they can add value to their clients (Egan, 1997, 1998; Maister, 1993, 1997). Within the context of our proposed model, consultants could potentially add value—that is, *increase the client's resources and capabilities*—to each element of the open systems model, as indicated in Figure 8.2. With respect to inputs, consultants could increase the value of the organization's resources (in a variety of ways, from coaching, to knowledge transfer, to restructuring a client's financing); a variation on this theme would be providing or facilitating access to resources (e.g., capital, markets, channels of distribution). Consultants can also help clients increase the effectiveness or efficiency with which the organization adds value to its inputs through transformation. Consultants can also help an organization enhance its outputs—the offerings the company makes to its stakeholders, or could obtain information (a powerful resource) from customers regarding their experience with a company's product. Non-customers' (and former customers') insights can be invaluable, and consultants can help clients obtain and use this kind of information.

No Sale: Does "No" Mean "No"?

Consultants' proposals in response to inquiries from prospective clients require a good deal of effort. As much as all consultants would not like to admit it, a number of proposals do not result in an engagement. One of the questions facing a consultant at that point is whether the client should be reapproached with a new or revised proposal. On one hand, the extra effort may be perceived as the consultant being genuinely interested in helping the client. On the other hand, reapproaching the client may be largely counterproductive, in that the client may be "turned off" by too aggressive a "sales" posture on the part of the consultant. As described earlier, the firm's norms would be expected to influence a consultant's response to rejection of a proposal, as well as norms within the firm's sector of the consulting business.

The Decision to Engage

Several factors are likely related to the client and consultant reaching a decision to explicitly invest their resources in an engagement. The elements include (a) an assessment of the client's situation, resources, and capabilities (whether self-assessed or conducted by a consultant or a third party); (b) the client's ability, readiness, and willingness to change; (c) an assessment of the consultants resources and capabilities; and (d) the relationship (i.e., social or transactional exchange) between the consultant and the client. As suggested earlier, also contributing to the decision to engage—as well as the definition and boundaries of the engagement—will be the consulting firm's culture, the client's culture, and norms within each organization's field or industry.

Defining an Engagement: Key Features

Taken together, the client's situation (including its resources and capabilities) and its readiness for change, combined with the consultant's resources and capabilities, the parameters or outline of an engagement begin to emerge. How the engagement is defined in terms of its scope (both breadth and depth), its objectives, and the roles and responsibilities of all parties can influence the extent to which an engagement will fail or succeed. The situation itself—and a proposed engagement—has at least two dimensions of meaning beyond its instrumental use (value added) to the client and to the consultant. One of these elements is the *criticality* or importance of the engagement. The levels of criticality may be imbalanced, and need not be "matched" in terms of the client and consultant viewing an engagement in the same way. In other words, a client might think of an

engagement as extremely critical, but to the consultant, it might not be that important a project when viewed in the context of the consultant's resources and capabilities. The reverse could be true as well—a consultant's entire income for a potentially lengthy period of time could be involved in a project that, while important, is not critical to the success of the client.

The other key element to consider is time. An engagement may be *urgent* (independent of its importance) for one party (or both); similar to criticality, this may not be the same for both client and consultant. It is not difficult to imagine a client for whom time is critical, which (considering the consultant's resources and capabilities) may not be an urgent matter at all. Again, the reverse could be true. We believe that urgency and criticality are two important factors largely overlooked in the literature on organizations, change, and consulting, and hope that their inclusion in this model will spark interest in their exploration. Figure 8.3 depicts the elements of the model associated with the engagement decision.

Conventional wisdom regarding consulting suggests that the success of an engagement depends in no small part on how an engagement is defined. "Defining an engagement well" typically includes a clear specification of who the client is (Weidner, 1999b), which is especially important for internal consultants, although our primary focus in this chapter is external consultants. What appears neglected in the consulting literature is a theoretical link between information sharing, negotiation, relationships, and the structural features of an engagement.

A MODEL OF ENGAGEMENT

Once an engagement has been initiated by mutual commitment of client and consultant, a different kind of work begins. The initial assessment, the new information surfaced during the pre-engagement phase, client readiness, and the consultant's resources capabilities are brought together (see Figure 8.4). This section focuses on the different types of forces at work during an engagement, which we refer to as engagement factors, relationships, and change process.

Engagement Factors

As outlined during the pre-engagement phase, the structural elements of an engagement—scope, depth, breadth, conditions, and constraints—are still present. An engagement is also influenced by the degree of criticality and urgency, either (or both) of which might vary between client and

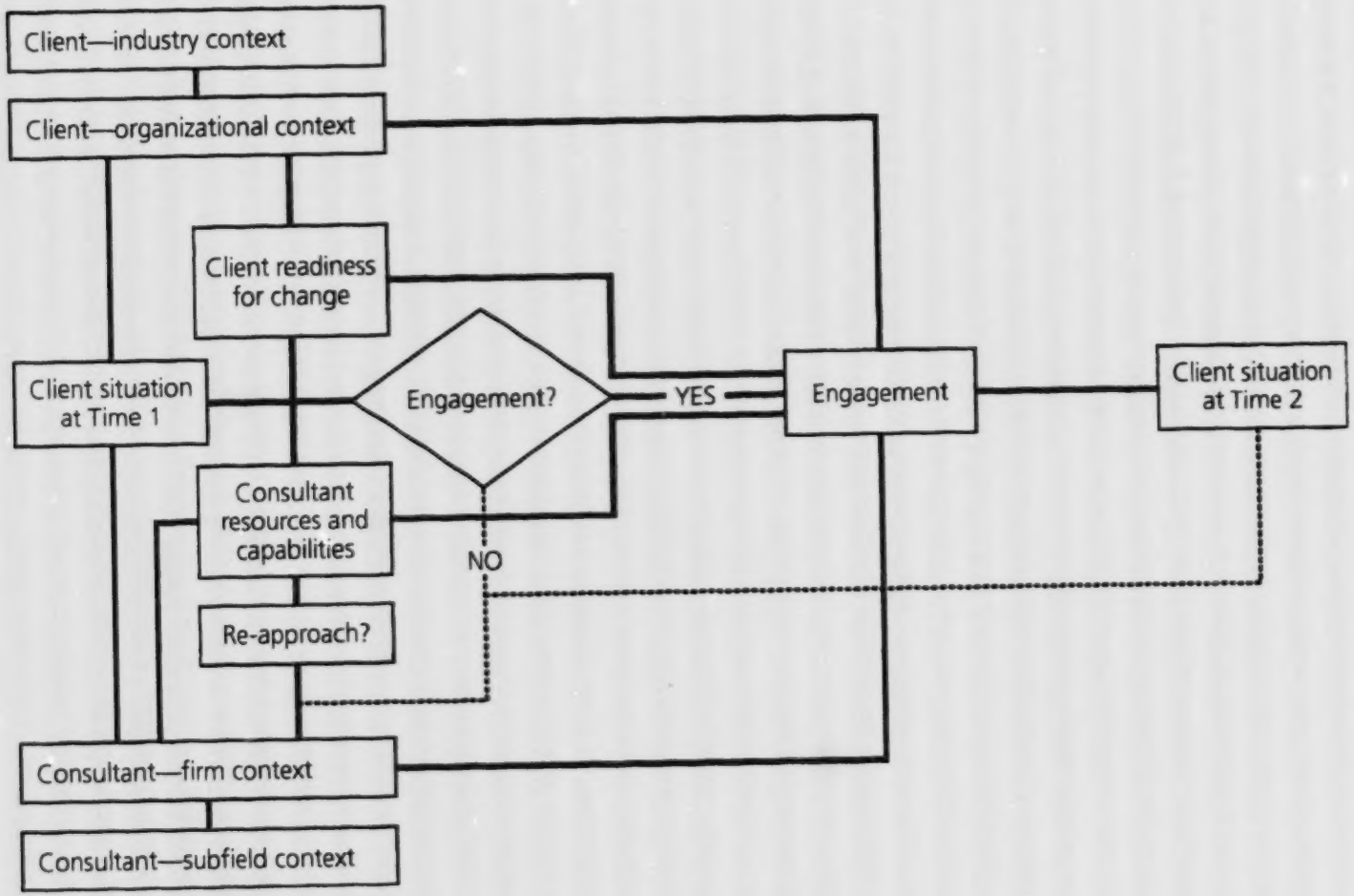

Figure 8.3. Pre-engagement: Defining an engagement.

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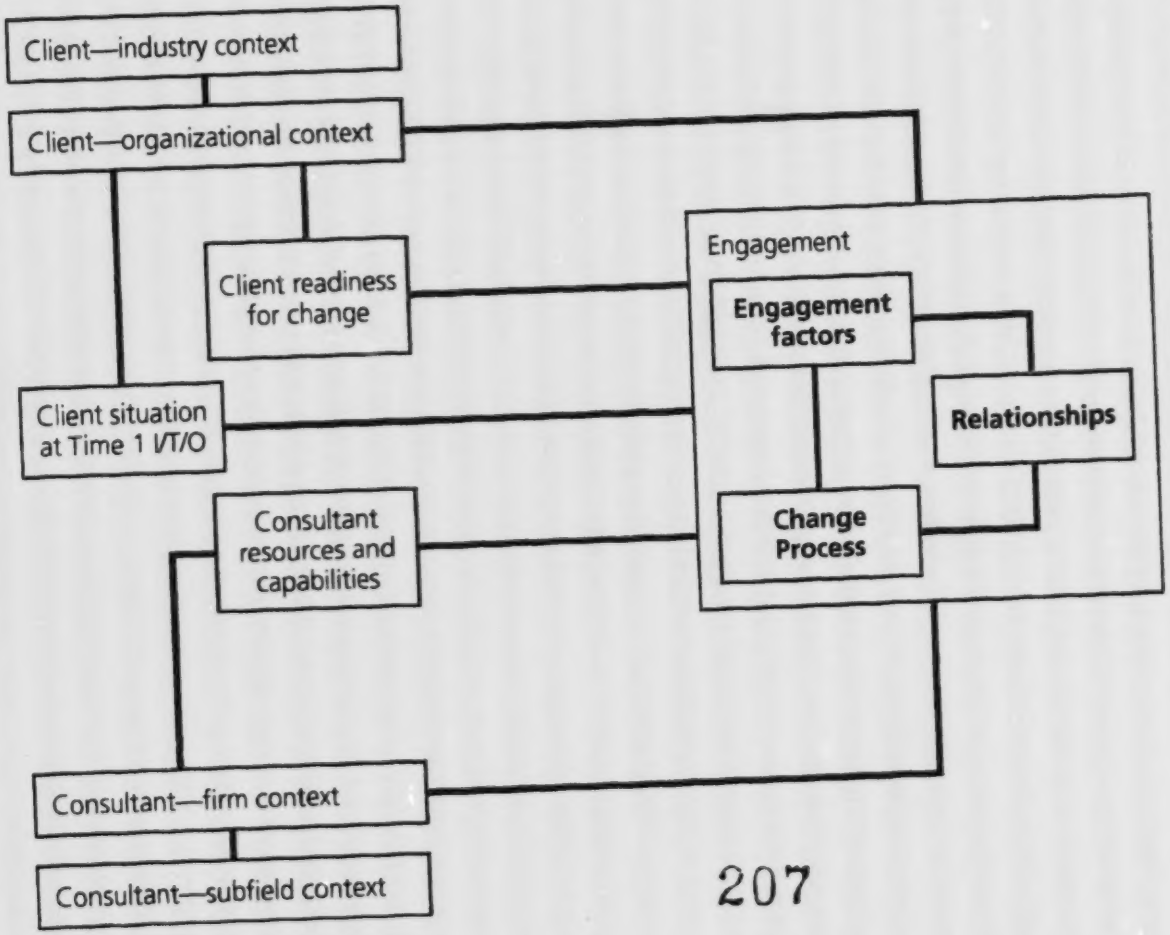

Figure 8.4. Model of engagement.

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consultant and within subgroups within either party. As an example of the latter, a work redesign project may be very important and urgent to an internal design team, yet the project can be somewhat peripheral (and relatively unimportant) and seemingly nonurgent for, say, a manager who is being asked for data but who is not in close contact with the design team.

The push–pull of urgency and criticality not only puts pressure on an engagement (client/consultant) team, but also puts performance pressure on each party. If a social exchange relationship has not been formed by the engagement's onset, it will be more difficult to cultivate during a highly pressured (i.e., urgent and critical) project.

Another element that the change literature has not examined is the extent to which the engagement has long-term consequences—upside or downside—for the people involved in making the project a success. Engagement team members take risks in taking on a change agent role; this need not be only when a project fails. In terms of upside, client and consultant members of a successful engagement team may increase their opportunities for promotion, recognition, learning new skills, or assuming a new level of responsibilities. In terms of downside, in the event of a project failure (which may or may not be in a change agent's control or influence), obviously the chances increase for an engagement team member having a negative individual outcome (e.g., firing, layoff, reassignment). Some members of client organizations have reported reengineering themselves out of a job, or eliminating the need for their position, in other words, their own success resulted in a *negative* outcome on a individual level.

Relationships

The engagement phase is different than the pre-engagement phase in several ways, the most obvious of which is the formal commitment to an engagement by client and consultant. The consulting firm that may have been influencing, selling, or promising during the pre-engagement phase is now in a position of having to deliver on the commitments and promises made.

As suggested by social exchange theory, a social exchange relationship established by pre-engagement can be challenged by broken commitments (or the perception of the same) and unfulfilled (even unrealistic) expectations. Urgency and criticality pressures can cause a social exchange relationship to quickly become guarded and transactional. From the consultant's point of view, each phase of the consulting process should include a step in which the client escalates their commitment to and investment in the change process (Block, 2000).

A logical outgrowth of a social exchange framework for client–consultant relationships is *behavioral professionalism* (Maister, 1997; Weidner & Kulick, 1999). Behavioral professionalism is the consistent demonstration of the extent to which a consultant cares about a client's organization and success (see Maister, 1997, for a complete description). Rather than professional status being accorded an individual (client or consultant) by virtue of their education or title, behavioral professionalism is the idea that professionalism is a description that a person earns from others in the course of their work.

Change Process

Among the resources and capabilities a consultant brings to an engagement, processes and mechanisms for managing the process of change are critical during an engagement (Weidner, 1999a). Inevitably, conflicts and differences of opinion arise; planned change should anticipate this, both structurally and on a personal level. A cornucopia of processes exist for consultants to bring to a client; perhaps the greatest challenge for consultants is knowing how to identify signs that might indicate what processes are most appropriate and likely to succeed (or minimize the risk of failure, depending on one's objectives).

EVALUATION

Evaluation of change has presented challenges as long as consultants have tried to help organizations. Although some large-scale change efforts have an impact on a large number of metrics and a large portion of an organization, it is often difficult to assess exactly what portion of an improvement (if any) should be attributed to an individual engagement or project. In this section, we briefly discuss the theoretical issues involved with evaluating consulting engagements.

To Evaluate or Not to Evaluate?

A post-engagement evaluation of a consulting project is a standard operating procedure in many organizations (and consulting firms). The decision to evaluate an engagement and judge its success are typically made pre-engagement, or shortly after an engagement begins (see Figure 8.5). The analysis requires little more than amounts of resources invested in and returned from the engagement. On the other hand, a good number of

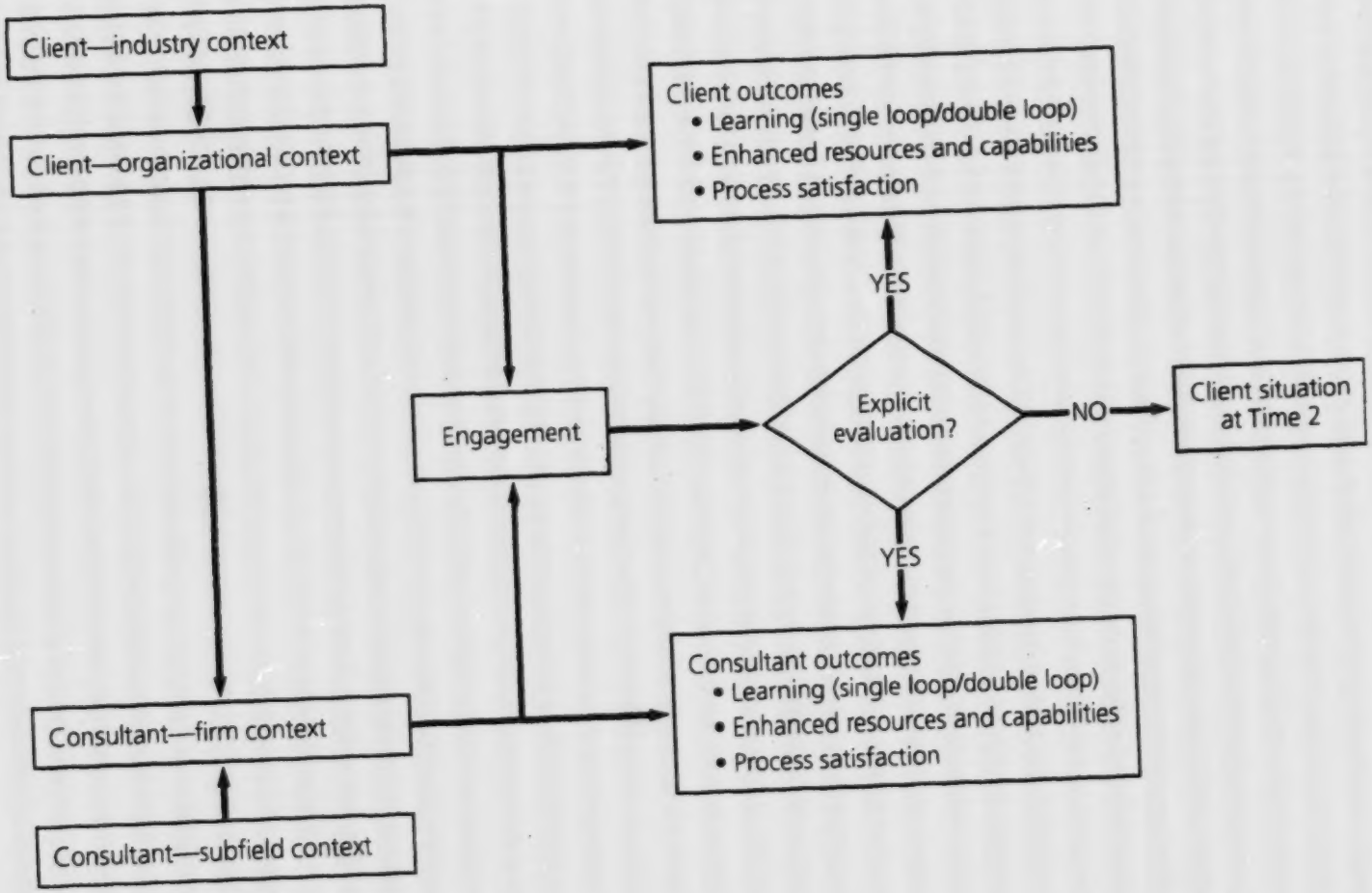

Figure 8.5. Model of evaluation.

engagements likely do not get a significant amount of post-project scrutiny, for a range of reasons. If a client's internal cost and accounting controls do not allow relatively easy aggregation of the resources invested in and returned from an engagement, the likelihood of a comprehensive evaluation is relatively low. In other cases, evaluating the net returns to a client for a large project may be embarrassing, or the time frame for returns may be difficult to frame (in terms of time), even if other metrics of interest can be captured and evaluated.

The first author has had several clients who explicitly decided not to evaluate a large-scale change initiative. One CEO, for example, indicated that he believed he became a scratch golfer because he took the advice of a golf pro when he began playing, and did not keep score for the first two years that he golfed. Essentially, he believed that if an organization can concentrate on its "swing," that better scores (results) would follow. Another executive indicated that she was all too familiar with the dynamics when managers in an organization become obsessed with one metric (or a set of metrics, as her organization's balanced scorecard indicated) at the expense of other responsibilities and constraints. These are the exception rather than the rule, but they do point out that assumptions about clients' desire to evaluate change may include *not* evaluating the engagement.

Evaluating Engagement Success

There are many different stakeholders whose interests are affected by the outcome of a consulting engagement, including employees, managers, stockholders, directors, a organization's retirees, and community members. For purpose of clarity, we will restrict the scope of our discussion to success of an engagement as perceived by the *primary* actors in an engagement—clients and their consultants. This focus is not done to diminish the importance of other stakeholders, but rather to keep the scope of the model proposed here both manageable and practical.

There are several schemas in the field regarding how the success of a consulting engagement should be evaluated. The more prevalent of these schemas describes a consultant's responsibility as helping decision making (Block, 2000). This help can be either substantive (i.e., content) assistance or assistance in the form of process facilitation. Another popular schema proposed by Block (2000) is when the consultant is urged to account for his or her own consulting role "flawlessly" and hold the client accountable for its commitments. Contrary to these two conceptions of consulting success is Schaffer's (1997) model of "high-impact consulting." In Schaffer's schema, the consultant and client work together within a project (a) that is defined in terms of specific performance goals to be obtained, (b) that is

bounded by a scope that is consistent with the organization's readiness to change, (c) that is divided into increments—with rapid cycle times—for rapid results, (d) in which the client and consultant work and learn together through every stage of the project, which (e) makes highly leveraged use of the consultants' time. In Schaffer's framework, the amount of congruence between the goals of a client, engagement, and consultant should increase. Such an approach may be especially valuable to clients and consultants committed to defining and evaluating projects in terms of both substantive and rapid improvements in organizational effectiveness.

Client Outcomes

Consistent with the initial assessment of a client situation, the organization's resources and capabilities frame the evaluation of an engagement (Schaffer & Thomson, 1993). This has a handful of desirable effects. First, engagements not explicitly connected to the resources and capabilities of an organization are likely to receive greater scrutiny before they are commissioned. Second, such evaluation provides an overarching goal for the engagement team (Katzenbach & Smith, 1993), as well as the larger client organization. Whether the specific metrics are derived from the organization's strategic analysis of resources and capabilities, its balanced scorecard, its balance sheet, or its income statement, returns of an engagement can be expressed in (or, if negative, evaluated in terms of) increasing the company's resources and capabilities.

In addition to outcome assessments, clients can and should consider evaluating the engagement from a process standpoint as well. While the consultant's engagement team may capture their own client satisfaction for their learning and benefit, clients may have additional learning opportunities at the end of a major consultant-assisted project. This might make explicit not only lessons learned relative to managing relationships with the current consultant, but also lessons that can be applied to relationships with other consultants and firms.

Finally, clients can and should view consulting engagements as a chance to examine their own learning processes and the depth at which they have explored their own reasoning. Thus, a client could assess its learning in terms of either single-loop or double-loop learning (Argyris & Schön, 1996). Single-loop learning "...changes strategies of action or assumptions, but leaves the values of a theory of action unchanged," while double-loop learning "...results in a change in the values of theory-in-use, as well as in its strategies and assumptions" (Argyris & Schön, 1996, p. 21).

Other Stakeholders' Outcomes

In addition to a client's assessment of outcome and process satisfaction, the impact of an engagement could be assessed from the standpoint of

other stakeholders (Cyert & March, 1964) that have an interest in its impact and/or outcomes. Internal stakeholders could include (but not be limited to) employees, departments, or functions that are indirectly—but not directly—affected by change caused by a given engagement. External stakeholders could include (but not be limited to) suppliers, customers, stockholders, and financial institutions.

Consultant's Outcomes

From the consultant's perspective, an engagement might be considered successful in a number of different ways, often within the same engagement. Maister (1993) identifies a number of such indicators, including (1) greater profitability (per partner), (2) greater efficiency (more likely with a large-scale client), (3) skills transfer (in which the firm's members acquire new skills and broaden their pool of intellectual assets), and (4) asset building—with the term "assets" defined broadly to include "better" business (e.g., clients with whom the firm wants to work), entry to new markets, and opportunities to extend an area of expertise.

Consultants also have goals to attain for each engagement, and these goals need not be exclusively revenue or cost goals. Since consulting firms are in the business of learning, knowledge transfer is not only an important process metric, but it also is an early or leading indicator of a firm's near-term future. If a consulting firm is merely milking its current assets and not developing new assets (Maister, 1993), the firm is falling behind because yesterday's professional services and expertise are not enough to help their clients better anticipate the future.

In addition to making explicit single-loop and double-loop learning (Argyris & Schön, 1996), consultants should evaluate an engagement from a process standpoint as well. The consulting firm's engagement team can evaluate its client satisfaction data, and the end of the engagement should be a useful time to reflect on what has been learned. Such a review might make explicit not only lessons learned relative to managing relationships with the current client, but also lessons that can be applied to relationships with future clients and prospective clients.

CONCLUSION

This chapter has attempted to contribute to the development of a theory-based model of consulting, which is summarized in Figure 8.6. Its most salient contributions are its explicit basis in theory and our attempt to develop a reasonable level of congruence between the vast collective wisdom represented by the applied consulting literature.

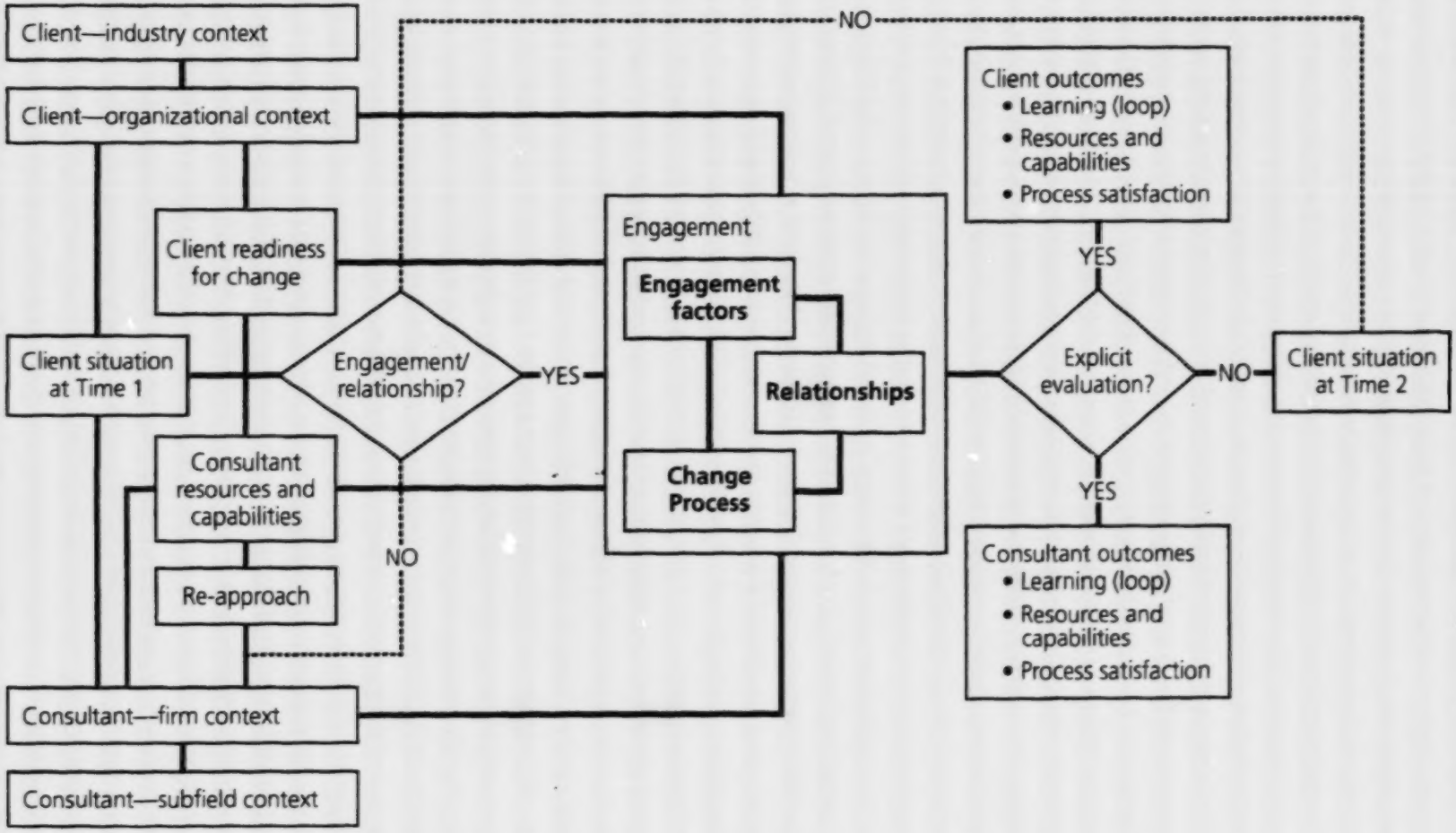

Figure 8.6. Integrated model of consulting.

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The model, like any, has its limitations. First among these is the reality that no single model can anticipate every possible nuance or scenario, especially in a field as broad as management consulting. This limitation suggests that the model might be usefully refined and improved upon. Second, the model extends the resource-based view (RBV) of the firm into a consulting engagement—which by definition is a nonpermanent relationship between two independent organizations. This perspective is an extension of RBV theory beyond the current literature, and is predicated on the assumption that knowledge and learning occur and create new resources in the process of an engagement—in excess of the costs involved (Bower, 1997; Maister, 1993). If that assumption is not made, a different theoretical lens will be required for viewing an engagement. While this appears to be a reasonable assumption, we do recognize that this may not be the case with every engagement. A third limitation is one of time and space. A comprehensive model of consulting should be sufficiently flexible to cover the complete range of consultancy, from sole practitioners through large professional firms, spanning levels and units of analysis. We have strived to develop a model that is flexible while retaining the theoretical robustness needed to guide empirical research. Time will tell whether we have erred too much on one side or the other.

Taking into account these limitations, the model as developed here provides a platform—at minimum a jumping-off point—for further theory building and research into management consulting. We hold out hope for a new body of research that this model might precipitate, explicitly focused on consulting and based on established theory. Perhaps most importantly, this emergent work will serve as a useful complement to the continuing tradition of practical writing about consulting.

NOTES

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3. For the sake of clarity, throughout the chapter "consultants," "consulting firms," "firms," "consulting practice," "practice," and "consulting" refer to consultants and consulting firms, and are used interchangeably. The terms "organizations" and "client" both refer to client organizations and are used interchangeably.

4. This definition was developed by directors of AICPA/MAS, ACME, and IMC, with practitioners and academics at the Conference on University

Education and Management Consulting (February 21–22, 1985) in Salt Lake City, as reported in Barcus and Wilkinson (1994).

5. See "Statement on Standards for Management Advisory Services No. 1," par. 4, *Definitions and Standards for MAS Practice* (New York: American Institute of Certified Public Accountants, 1981), as reported in Barcus and Wilkinson (1994).

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CHAPTER 9

FUNCTIONS AND ROLES OF MANAGEMENT CONSULTING FIRMS

Michael Nippa and Kerstin Petzold

Although the advent of modern management consulting firms can be traced back to the 19th century, management consulting has recently grown into a distinct service industry, especially over the last three decades (e.g., Canbäck, 1998).[1] Market leaders like Accenture, Boston Consulting Group, McKinsey & Company, and PricewaterhouseCoopers regularly compete for clients on an international basis. Since 1990, revenues in the consulting business have grown at an annual rate of 10 percent, with leading companies increasing their turnover by more than 20 percent per year (Wooldrige, 1997). As almost all management consulting companies are not publicly listed, profits are kept secret. However, there can be no doubt they have skyrocketed as well. In fact, such profitability is one of the reasons consulting has been attractive for a long time. Although there has been a recent shift toward investment banking and Internet-based business, management consultancies continue to rank as one of the most desirable employers among college graduates (Universum, 1999). Consultants are known for being secretive, high-priced, ambitious, hard working, and consistently successful. Yet, the fact that consultants typically have highly prestigious attributes, show elitist behavior, and charge high fees has led to a negative image as well. Hardly any other profession is simultaneously more prestigious, more envied, more trusted, and more disliked at the same time (Huey & Davis, 1993).

Critique, however, is not fueled merely by envy. Top management, and more often the affected management level as well as the employees, complain that the advice given and the results accomplished by consultants do not correspond to raised organizational expectations and the fees charged by the consultancies.[2] Experts, scholars, and practitioners, for example, note:

- There are doubts concerning the technical competence of the consulting companies and their employees. Even more often, deficiencies in social and emotional intelligence are stressed. Additionally, discrepancies between the experiences and skills of the "sales people" (highly ranked and qualified principals and partners) and the employees doing the actual work (often beginners) are the subject of discontent.
- Consulting companies are often accused of selling standardized business solutions instead of the optimal solution based on the specific situation of their clients.
- Management consultants tend to spend most of their time identifying new problems that may need additional services rather than working on the specifications that the client initially contracted. Such behavior by consultants may be induced by their firms' sophisticated incentive systems.
- High fees do not equate the real value generated for the client, therefore, consultants are often perceived as charging too much for their services.

These critical views reflect a rather negative image of management consultants, culminating in the following set of questions:

- "Why do we need consultants?"
- "Why can they do what we can't do?"
- "Why do we pay high fees for information already known in our organization?"

While these questions and perspectives are very straightforward and comprehensible, they give rise to another, even more conceptual question: How does one explain the paradox that consulting services, which are criticized for their inefficiencies (especially by clients), have grown at such high rates for years (almost unaffected by economic cycles) that they have created a multibillion dollar industry?

Assuming for a moment that market forces are relatively free of errors over the long run, there must be substantial reasons for such enduring growth. It appears that the institution of management consulting fulfills some economic and/or social functions more effectively than other organizational modes or forms. Yet the nature of these functions and the reasons why such specialized organizations may be more effective remain

unclear. Additionally, there are some other phenomena with regard to the functions and roles of management consulting that have not yet been satisfactorily resolved. Why is the industry so profitable? Do individual consultants hold a performance and productivity advantage over individual employees in the client organization? If so, as suggested by Canbäck (1998), is this advantage due to the smaller size of the consulting firms? Why do some consultancies opt for concentration and the formation of conglomerates (e.g. Accenture, PricewaterhouseCoopers) while others focus on independence and specialization (e.g. McKinsey, BCG)? To what extent are there national differences across consulting firms?

Despite such lingering questions and the growing importance of the consulting industry, there have been surprisingly few theoretically based studies of the consulting industry, its organization, or the client–consultant relationship. To our knowledge, there are only a few attempts to empirically test derived hypotheses or typologies, or to develop a theoretical framework about the consulting industry.[3] This chapter attempts to begin to fill this void. Based on our qualitative research, the chapter focuses on the following three questions:

1. What roles do management consultants play within the consultant–client relationship?
2. What are the functions fulfilled by management consulting firms?
3. To what extent are these functions accomplished more effectively by the consultancy (as a specialized organization) rather than by the firm itself?

In order to answer these questions, the chapter presents a broad review of the relevant literature that deals with the functions and roles of consulting companies. Based on this review, we will (1) develop a theoretical framework, systematizing existing explanations and adding new insights, and (2) propose areas for future research.

LITERATURE REVIEW

Complexity and uncertainty in the competitive environment, as well as their reflection within modern organizations, play a vital role in theories of organization and the firm. As Wooldridge (1997) has suggested, these variables can create problems for managerial decision making: "Complexity creates confusion, uncertainty creates fear; and both create a booming demand for outside advice" (p. 4). But why is outside advice of any help or perceived to be so important? As a way of exploring these issues, this section examines our recent understanding of management consulting, focus-

ing on consulting terminology and the functions and roles fulfilled by management consultants.

Definitions of Management Consulting

Significant heterogeneity exists in the meaning of management consulting (see e.g., Greiner & Metzger, 1983). Since the term is employed quite diversely, a definition will not be easily agreed on. The range of products and services offered by countless firms, for example, point to the variety of activities captured in consulting. Management consulting firms work in all kinds of businesses and functional areas, ranging from market analysis, benchmarking, strategy formulation, reengineering, and leadership and human resource issues, to optimizing supply chains and operations, evaluating and implementing information and production technology, and, most recently, e-business solutions. Distinguishing general management consulting from consulting for specific organizational functions such as human resource or information technology management, as proposed by Canbäck (1998), is of little help as different aspects of the consulting process are entwined in most cases. Even a restriction to pure advice giving, without taking responsibility for its implementation, is increasingly fading (Wooldridge, 1997).

Nonetheless, there is one decisive characteristic of a management consultant's engagement that distinguishes it from other advice services, such as auditing firms. Management consultants are contracted for specific problems, typically on a short-term rather than regular basis. This aspect is reflected in Filley's (1997) definition, where consulting: "...(a) involves a voluntary relationship between a consultant and a client; (b) involves an attempt by the consultant to help the client; and (c) ... is perceived as [a] temporary [relationship] by both parties" (p. 101). Greiner and Metzger (1983) define management consulting comprehensively as "...an advisory service contracted for and provided to organizations by specially trained and qualified persons who assist, in an objective and independent manner, the client organization to identify management problems, analyze such problems, recommend solutions to these problems, and help, when requested, in the implementation of solutions" (p. 7). Without limiting management consulting to certain areas or objects of advice, this definition highlights some important key aspects (see also Canbäck, 1998; Kubr, 1982). The terms "advisory service" and "assist," for example, indicate that the consultants are responsible for the quality of their advice. Furthermore, consultants support—but do not substitute for—managers and do not have any hierarchical authority. "Objective and independent" stresses the financial, administrative, political, and emotional independence given by not being a legal member of the client organization. Independence is a

necessary precondition enabling other advantages, since these mainly rest on the objectivity of the consultant's advice. The substantial part of Greiner and Metzger's definition refers to "assisting the client with management problems." In essence, management consulting specializes in management problems, whether they are strategic, tactical, or operative in nature. The task of a consultant is to identify and analyze the problem(s), define and present solutions, and support the implementation of management decisions. As we will see, a detailed analysis of these essential tasks reveals the foundations of the functions and roles of management consultants.

Self-Presentation and Practitioners Perception of Management Consultancies

As a starting point for an analysis of the roles and functions of management consultants, it is useful to reflect on the self-presentation by management consulting firms. Table 9.1 contains the official mission statements of leading management consulting companies (as posted on their websites). These extracted statements demonstrate that helping and supporting the client are perceived as the focal point of the consultant's perspective. The aim is to improve their clients' performance and add value through expertise and insight, embedded in what they suggest is superior human capital as well as truthful collaboration. However, wishful thinking, ideals, roles, and functions get mixed up in these statements, which were originally designed for marketing purposes.

In a recent assessment of practitioner views of management consultants' roles and tasks, Canbäck (1998) refers to Bower (1982), a former driving force of McKinsey & Company, who suggests several reasons why a company should rely on external consultants. A more recent, pragmatic survey (Anonymous, 2000) expounds on these reasons, drawing out a number of single-factor explanations for management consulting. Going beyond a mere enumeration of these points, Table 9.2 summarizes these perspectives and relates them to three critical factors in management decision making: (1) time and capacity for information gathering and analysis, (2) expertise and knowledge, and (3) decision enforcement. This comparative analysis permits a more precise differentiation of consulting's impact, distinguishing between problem-related and solution- or implementation-related knowledge.

Table 9.1. Self-Presentation of Selected Management Consulting Companies

Firm	*Slogan*	*Mission/Values*
Accenture	Now it gets interesting.	Bringing innovations to improve the way the world works and lives.[a]
Arthur D. Little	We make businesses work.	... helps create value: for its clients, its partners, its employee shareholders ...[b]
Boston Consulting Group	We see the essence of our work as a virtuous circle of insight, impact, and trust.	[Our]... mission is to help leading corporations create and sustain competitive advantage ... [and offer] clients and employees a wealth of cross-cultural experience.[c]
Booz·Allen & Hamilton		Booz·Allen & Hamilton is an international management and technology consulting firm committed to helping senior management solve complex problems.[d]
Lawrence Group	You seek counsel and expertise. We bank over 300 years of experience!	...dedicated to the enhancement and enrichment of our client's professional skills through analysis, development and delivery of high performance learning systems.[e]
McKinsey & Company	If you are not working on an issue of concern for top management, it's probably not worth McKinsey's fees.	To help our clients make distinctive, lasting, and substantial improvements in their performance and to build a great firm that is able to attract, develop, excite, and retain exceptional people.[f]
PriceWaterhouseCoopers (PWC)	Join us. Together we can change the world.	Integrated consulting services ... The best solutions come from working together—with colleagues and clients.[g]

Source. Obtained from current websites: [a]www.accenture.com; [b]www.arthurdlittle.com; [c]www.bcg.com; [d]www.bah.com; [e]salesuccess.com; [f]www.mckinsey.com; [g]www.pricewaterhouse-coopers.com

Comparing the self-presentation of management consultancies and the perspectives of practitioners, two shortfalls and differences are obvious. First, there is no distinction between roles, tasks, and functions. Second, sole lists of arguments, as found in Table 9.2, seem somewhat arbitrary, without any theoretical foundation.

Table 9.2. Advantages of External Consultants for Management Support

Time and Capacity	*Expertise and Knowledge*	*Decision Enforcement*
Bower (1982)		
• "They have time to study the problems.	• "They provide competence not available internally." • "They have varied experience outside the client." • "They are professionals."	• "They have the ability to create action based on their recommendations."
Purchasing (2000)		
• Provide additional expertise • To collect and normalize data	• See where you stand • Avoid reinventing the wheel • Transfer knowledge from other industries • Acquire skills • Assimilate critical industry changes	• Focusing attention • Driving change across multiple functions and borders • Facilitating highly politicized decision making • Driving continuous improvement • Accelerating processes

Source: Adapted from M. Bower, "The forces that launched management consulting are still at work," *Journal of Management Consulting* (1982), Vol. 1, no. 1, pp. 4–6; and "12 good reasons to hire a consultant," *Purchasing* (2000), Vol. 127, no. 20, pp. 64–68.

Academic Assessments of Management Consultancy

The review of the relevant economic and organizational literature shows only a few studies of the consulting industry, its organization, and the client–consultant relationship. While the basic functions and roles of management consultants have been primarily described almost two decades ago (e.g., Bartling, 1985; Kubr, 1982; Moore, 1984), to our knowledge there are only a few attempts to test these hypotheses or typologies empirically or to develop a theoretical framework.

The behavioral *roles* undertaken during consultation are important determinants of the degree to which assigned tasks will fulfill the expectations of both the client and the consultant. Polzer (1997) defines a role as: "...a delineation of the set of recurrent behaviors appropriate to a particular position in a social system" (p. 495). Research has also shown that roles are determined by task and expected role behavior by the social system (e.g., peers, supervisors, partners) as well as the perception of these expectations (Staehle, 1994). For consulting success, it is critical that roles, role expectations, and interpretations of interacting individuals fit (Lundberg, 1994). Compar-

ing the literature on the roles and functions of management consulting, we found a high degree of similarity in how these roles were categorized (see Table 9.3).

Table 9.3. Comparison of Major Approaches to Management Consultant Roles

Consultant's roles (Schein, 1988)	*Strategy consultants' roles (Nees & Greiner, 1985)*	*Roles of scientific consultants (Druckman, 2000)*
Expert: client purchases experience	"Mental Adventurer" (applies rigorous methods and experience)	Technician
	"Strategic Navigator" (rich quantitative understanding of the market and competitive dynamics—recommends action)	Adviser
Doctor–patient relationship: diagnosis and "cure"	"Management Physician" (recommendations from a deep understanding of client organization)	Applied Theoretician
	"System Architect" (helping redesign processes, routines, and systems)	Architect
Process consultation	"Friendly Co-pilot" (counsels facilitator rather than expert)	Facilitator
		Trainer/teacher (provides new knowledge)

The roles that management consultants perform comprise several tasks and induce several functions, although it is important to note that management consultants are primarily hired to achieve a specific task or function rather than to fill a certain role. Filley (1997) proposes that two dimensions can be distinguished: (a) the extent to which the activity is primarily one of diagnosis versus that of service delivery, and (b) the extent to which the activity is primarily one of providing advice versus of taking action. Assigned tasks, expected functions, and roles of management consultants differ significantly along those dimensions. For instance, a more diagnosis-oriented style will focus on problem identification rather than implementation and action planning.

Extending Filley's (1997) model for considering management consulting roles, another distinct dimension seems appropriate—the form and application of *knowledge* provided by the management consultant, ranging from analysis and facilitating certain recommendations to knowledge

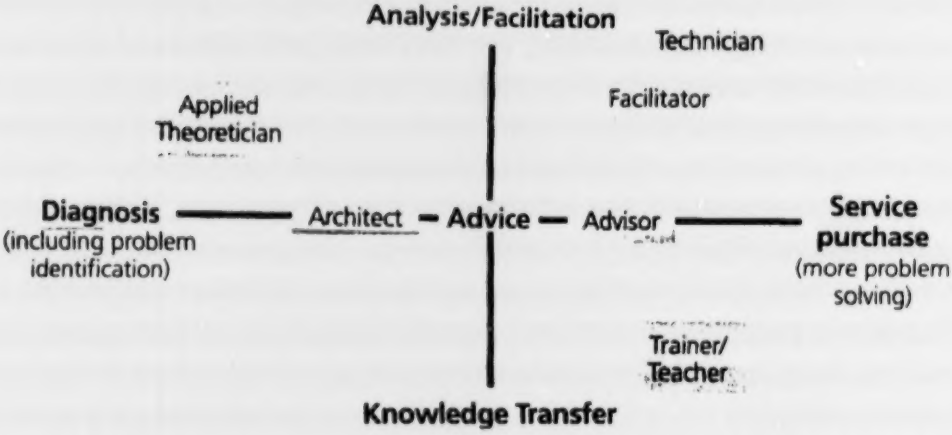

Figure 9.1. A model of management consultant roles and intervention styles.

transfer. When contrasting such knowledge transfer with the range of consultant activities—from problem identification to problem solving—categorizing schemas like those proposed by Druckman (2000) can be classified in more detail (see Figure 9.1).

The role of "technician," for instance, might comprise an expert service bought by the client that contains an analysis of intransigent problems through the application of rigorous economic methods by the consultant. The "trainer," in contrast, is engaged in knowledge transfer, in essence attempting to prepare the client for self-contained problem solving. As visualized in Figure 9.1, in attempting to fulfill a given task the appropriate role has to be chosen with care. In essence, objectives and functions are the core of investigation, and roles work as enabling features.

Basically, consulting aspires to fulfill eight fundamental objectives : (1) providing information to a client; (2) making a diagnosis, which may necessitate redefinition of the problem; (3) making recommendations based on the diagnosis; (4) solving a client's problem, (5) assisting with implementation of recommended actions; (6) building a consensus and commitment around corrective action; (7) facilitating client learning; and (8) improving organizational effectiveness (Turner, 1982). On a more abstract level, the functions of consultants can also be distinguished. Basically, exchange functions and supplementary functions will be requested from the perspective of the client (Eschbach, 1984). Functions of exchange, for instance, comprise transfer of knowledge, provision of objectivity, and obtaining legitimacy (Moore, 1984). Especially when it comes to strategic decision making, which determines the long-term success of a firm, executives often yearn for "objective" insights, that is, independent expertise or advice to reduce uncertainty and risk (see Gattiker & Larwood, 1985; March & Shapira, 1987; Nippa, 1999). As a recent empirical

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survey in Germany highlights, the reasons for the use of external management consulting include: (1) supporting managers to legitimate or certify decisions that have already been made for restructuring and renewal, (2) providing expert advice as insurance, and (3) getting information on the newest management methods (Hilbert, Fretschner & Braczzko, 1998).

While these approaches provide another perspective on the activities of management consultants, they are largely descriptive, lacking a theoretical foundation. Only a few researchers, however, have attempted to apply certain economic or organizational theories that would explain the existence and importance of management consulting firms. Among these few attempts, Canbäck (1998) used transaction cost theory to explain why management consultants exist. According to his theoretical arguments, there are three reasons: (1) external consultants can judge client problems more objectively, (2) they can build up experience more efficiently, and (3) they are more productive because they have special incentive structures. Following Franck and Pudack (2000), one reason for the growth and importance of the management consulting industry is that it provides a selection mechanism within labor markets that is economically superior. Their analysis—based on new institutional economics—stresses the sophisticated recruitment and tournament-oriented career systems used by the consultancies.

This brief literature review suggests that most of the contributions to our understanding of management consulting range from largely anecdotal depictions and summaries of individual experiences, to the selective application of economic theories. While experience-based explanations lack consistency, completeness, and theoretical underpinnings, the selective use of distinct theories highlights only certain aspects of the problem, while excluding other aspects and explanations. In our attempt to address these deficiencies, we will use different perspectives of organization theory to construct a more integrative framework of management consultant functions.

INVESTIGATING THE ECONOMIC FUNCTIONS OF MANAGEMENT CONSULTING

Scientific explanations of the functions of independent (external) management consulting firms, as well as internal units providing similar services, must draw on organization theory. Although there is no unique, self-contained organization theory, we can utilize the multiple competing and complementary theories that exist to build our framework.

In order to structure the main arguments about the functions of management consulting and to provide a consistent and comprehensive theoretical framework, we propose to distinguish between three levels of analysis: (1)

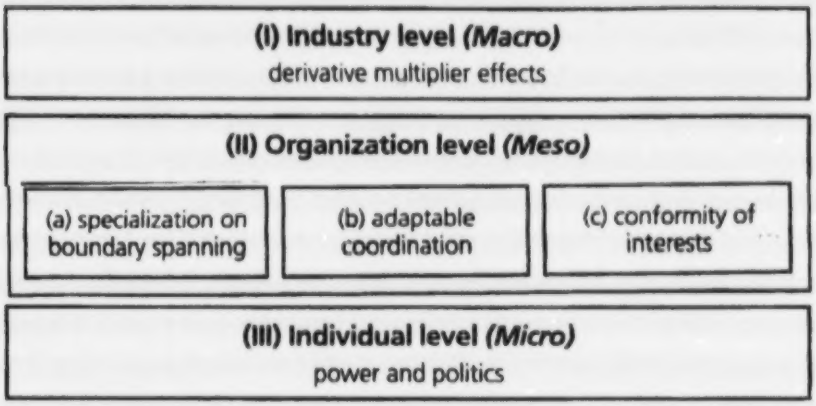

Figure 9.2. An explanatory framework of management consulting functions.

macro- or industry level, (2) meso- or organization level, and (3) micro- or individual level. At the organizational level, we further suggest that issues of specialization, coordination, and agency considerations provide greater insight into management consulting activities. These three issues constitute the main structural dimensions examined in organizational theory, especially in organizational economics, when proposing efficient organizational arrangements (see Milgrom & Roberts, 1992). By combining these levels and integrating the main perspectives found in the literature, an exploratory framework emerges (see Figure 9.2).

Specialization on Boundary Spanning: Management Consultants as Knowledge Providers

Complexity in the firm's environment not only contributes to uncertainty, but also to organizational strategies and attempts to reduce the resulting uncertainty that permeates the firm. This may be done by differentiation—building subsystems that create a more specialized division of labor within and between firms (e.g., Perrow, 1993). Without a doubt, such division of labor and its resultant specialization lead, as a rule, to more efficiency, as demonstrated in the seminal works of Adam Smith and Frederick Taylor. Division of labor is also the primary means of increasing the division of knowledge, thereby of promoting the growth of knowledge (see Loasby, 1999, p. 237, citing Hayek, 1937, p. 45). If there are to be benefits to a division of labor between consultant and client, the consultant may be able to generate relevant knowledge more efficiently.

As already mentioned, management consultants focus on the skills and knowledge of managing complex organizations. Following Simon's (1945) assumption, managerial work is primarily decision making oriented (see

also Mintzberg, 1973; Stewart, 1976) and management consultants support managerial decision making by providing content-related and methodological information. Although the argument that management consulting thereby reduces bounded rationality may hold (Canbäck, 1998), it still does not explain the need for external arrangements.

From the point of view of management consulting firms, their specialization leads to *asset specificity* (e.g., firm-specific knowledge, special concepts developed by the individual consultant firm, methodological knowledge). From the client's perspective, management consultants will only add value *if* they provide knowledge that is not restricted to the client's organization and is applicable to different situations. In this respect, management consultants are specialized on standard services and meta-knowledge about management problems and solutions. Their function is to provide client organizations with boundary-spanning knowledge (e.g., knowledge about other industries, competitors, markets, or technologies) and how to apply advanced management methods.

The specialization of management consulting firms leads to economies of scale and economies of scope. Consultants gain economic advantage by repeatedly working on structurally similar tasks, thereby reusing their specialized knowledge and improving their efficiency. Due to their focus on complex management tasks and repetitive procedures, management consultants accumulate knowledge that their clients are not able to do efficiently, as these firms are advised to "stick to their knitting" (Wooldridge, 1997, p. 4).

External consultants can apply methods and tools as well as gather data from a wide range of industries. Beside these aspects of economies of scale, management consulting profits from economies of scope as well. They focus on standardized solutions covering their explicit and implicit knowledge in order to make it applicable and thereby valuable to other clients. Therefore, they deal with codifying and disseminating knowledge, and achieve additional methodological expertise that contributes to their worldwide growth (Kipping, 1999). Due to their focus, consultants are able to identify new problems and trends as well as the concomitant management concepts to tackle these challenges.

Some organizational theorists consider firms as a repository of knowledge (e.g., Fransman, 1998). According to this perspective, organizations structure themselves in order to identify, gather, combine, and exchange individual knowledge within and outside the firm. Reflecting their specialization on management knowledge, consulting firms rely on and therefore establish very sophisticated knowledge management systems (Sarvary, 1999). The resource dependency approach (e.g., Pfeffer & Salancik, 1978) views this point in a similar way. Consulting companies focus on knowledge management because it is their critical resource.

Adaptable Coordination: Management Consultants as Flexible Response

Recently, transaction cost theory (Williamson, 1987) has been used to explain outsourcing and make-or-buy decisions. Although questions of specialization (i.e., division of labor) and coordination are entwined, transaction cost theory is primarily linked to coordination aspects. The transaction cost framework analyzes whether the service needed (in this instance, management consulting) should be developed internally or bought externally (Coase, 1988). As previously mentioned, while transaction cost theory helps to explain the existence of specialized management consulting firms with economic advantages due to lower transaction costs (Canbäck, 1998), it fails to provide explanations and recommendations for those organizational arrangements beyond the pure make-or-buy decision.

Returning to the general trade-off between standardization and flexibility, organizations tend to develop routines and standards either automatically through economies of scale effects or intentionally by management in order to reduce costs and improve efficiency. But routines and standardization decrease organizational flexibility because slack resources are eliminated. Tasks without routines cannot be managed easily and require so-called feedback coordination. Therefore, management should decide to keep some resources for flexibility internally (e.g., a task force) or to react in case unforeseen tasks occur—and hire an external expert. Taking into account that the pressures put on management, especially by shareholders, to downsize overhead and to concentrate on core activities have increased, internal management capacities have been reduced dramatically. Additionally, productivity criteria, like sales per person employed, may lead management to reduce their own workforce by outsourcing and simultaneously increase subcontractor volume.

Management consultants are resources of a specific kind of flexibility that is almost never subject to economic evaluation.[4] They mainly focus on organizational tasks that are characterized as nonroutine projects. These have, as a rule, quite clear conditions with regard to schedules, qualitative and quantitative resource requirements, and objectives. By providing flexible response to ad-hoc and unique tasks, management consulting firms offer valuable coordination means for their clients. Big consulting firms are especially able to efficiently fulfill this function as a resource pool, as they develop appropriate buffering strategies (e.g., Scott, 1998). They are able to buffer needs of client companies, because they bundle and balance a set of customers. Additionally, management consulting firms seem to be able to adapt to new management problems faster than internal units. They provide more or less standard solutions, which can be adapted to the client's need. Due to their standardization, external consultants serve as a

source of flexibility management that client firms can access on an arm's-length basis.

Increased needs for flexibility (due to higher environmental uncertainty) as well as a more or less enforced reduction of organizational flexibility resources are causes for the coordination function management consultants provide, which is sometimes referred to as an "extended workbench." External consultants supporting management may be seen as part of a more generic trend of workforce externalization (Scott, 1998).

Management Consultants: Considerations on Agency

While utilizing external capacities enhances a firm's flexibility, it also promises more focus on specific goals: "...organizations pursue externalization strategies for numerous reasons, including evading restrictions on hiring ... focusing attention and resources on the firm's distinctive competence..." (Scott, 1998, p. 194). This point is also valid for consultants, who are hired on a temporary, task-specific basis. Although it is generally assumed that a division of labor inevitably precipitates distraction and conflicts of interest, astonishingly little attention has been paid to similar problems when considering management tasks.

Various studies point out and empirically prove the multitude and heterogeneity of managerial tasks and roles, for example, by describing a typical management work day (e.g., Mintzberg, 1973). As Mintzberg (1973) and others have shown, managers, especially those at a top management level, are usually unable to work continuously on a complex, challenging managerial task. Interruptions occur, ad-hoc problems arise, negotiations have to be conducted, and a multitude of routine administrative tasks need to be taken care of.

Examining the potential benefits of management consultants within this context raises two conflicting positions. The first consideration relates to the assumption that the goals management consultants are directed toward in a project may correspond to a higher degree with corporate goals than those of individual managers. According to principal-agent theory, agents pursue self-serving goals, thus possibly hampering the principal in the pursuit of his goals (Jensen & Meckling, 1976). Different instruments and institutions are proposed to prevent this opportunistic behavior within firms (e.g., sanctions, corporate culture, alignment of goal systems). However, due to long-term employment contracts, diffuse or ambiguous task descriptions, and the materialization of company-specific and tacit knowledge, these instruments may not be effective in corporate reality. Management consultants may have lesser potential for opportunism than managers if (1) consultants do not possess as much discretion as managers,

(2) no counteracting forces are at work, and (3) the company is able to impose specific sanctions on them. Clearly defined consulting contracts, time-restricted cooperation, reputation effects, and a higher intensity of competition between consulting firms may discipline the agent. As far as consulting contracts allow precise specifications of the consulting mandate, they are less incomplete than long-term employment contracts.[5] Thus, room for deviation and discretion is reduced and higher a consistency between the goals of the principal (in this case the firm) and of the agent (in this case the consultants) could be expected.

Unfortunately, this may be a pie in the sky. Two important aspects contradict this assumption, which at first glance seems very convincing. First, there are clear indicators of extensive discretion, especially for top management consultants, which enables them to pursue their individual, self-serving goals even if they conflict with the goals of the client organization (Anonymous, 1996; Pinault, 2000). Second, the assumption ignores the multileveled principal–agent–structure immanent in organizational life. In fact, managers—who are (theoretically) accused of being opportunistic—mandate consultants. As a result, the loss of the principal, that is, firm or shareholders, may increase instead of decrease.

The second consideration assumes that hiring a management consultant will result in a higher degree of focus on the respective task. Transaction cost theory relates the existence of organizations to uncertain environments. Under such conditions, it is impossible to implement consistent, comprehensive, and unambiguous incentive systems without organizational arrangements. Here, task-, authority-, and hierarchy-based actions and reactions are more efficient than negotiating contracts with market partners, which consumes time and is costly. The drawback, which has to be accepted, however, is that organizational incentive systems usually contain large implicit parts, and they cannot be adjusted to specific and especially temporary goals quickly and easily. As far as task fulfillment and performance are determined and measured with regard to the consulting contract, both parties have to adapt their behavior to the explicit contractual requirements. Such adaptation should have a disciplinary effect with regard to ad-hoc deviations and permanent changes of the task on the part of the principal. Within the authority–delegation relationship, principals can change tasks and priorities of their employees permanently, based on their hierarchical power. Due to the contractual relationship between the company and the consultant, the latter should be able to focus on agreed upon tasks without being interrupted. Thus, they should be more focused—with regard to the assigned task—and much more efficient than employees, who have to handle a much larger spectrum of tasks that change frequently and unforeseeably.

Power Struggles: Management Consultants as Political Instruments

Some organizational theorists stress that power structures and processes within organizations are the main cause and explanation for managerial decisions (e.g., Pfeffer, 1981b). From their point of view, it is a myth to believe that conflicts of interest can be solved by rational organizational or market measures alone. People and groups with different preferences and objectives, especially those competing for scarce resources, will use different measures and instruments of power (for an overview, see Miller, Hickson & Wilson, 1996). Power-related organizational research focuses on real organizational phenomena, like power games and politics, conflict management and coalition agreements, and suppression of decisions through agenda setting.

Management relies on the organizational acceptance and subsequent implementation of their decisions. The interpretation of decisions, however, is also subject to evaluation from different interest groups based on individual preference systems. Therefore, as Pfeffer (1981a) argues, management has to provide explanation, rationalization, and legitimization about decisions and activities to its stakeholders. Governance structures, as well as power and political influences, control which explanations, rationalizations, and legitimizations are accepted. Agreement is accomplished if explanations fit the dominant logic or decision frame (Krogh & Grand, 1999). Dominant decision frames, however, evolve over time and are quite often resistant to change. If decisions or their underlying rationale do not fit these frames, they will most probably be rejected, although they might be superior to other alternatives. Management consultants can, thus, be viewed as a means to enforce the favored alternative by providing an accepted, sometimes unquestionable reference.

That reference power is based on the consultant's independence and reputation. The quality of management knowledge and managerial decisions is difficult to evaluate ex ante and prima facie, rather, it needs to be experienced through application either by the organization itself or by comparable organizations.[6] Reputation and price are commonly used and accepted as either surrogates for or the signal of high quality. Management consulting firms, especially those that have established an accepted reputation and a brand name in their respective field, are used as instruments of power and politics by different interest groups. "You will not doubt over McKinsey & Company, will you?" is a common refrain. The economic function of consultants is to certify the superiority of decisions or certain decision alternatives, especially where these are ambiguous and disputed by different power groups. Using this argument, one can explain otherwise inapprehensible phenomena, like the high fees top management consul-

tancies are able to charge. From the perspective of the client, the consultant's value is not based on the intensity of work, the knowledge embedded in argumentation, or the quality of the product, but rather on the brand name signaling quality and ensuring acceptance. Clients are willing to pay more for a higher signal quality, providing them with the superiority needed to reinforce their interests. Content quality remains less regarded—the same "technical" solution could have been bought from a management consultant charging less, but it would not produce the same enforcement effect.

Closely related to this signal reference in conflict situations, pure symbolic action can evoke real consequences like motivation or satisfaction of certain demands. Pfeffer (1981a) illustrates such motivational consequences by referring to the well-known "Hawthorne effect." The management decision to involve an external consultant signals, and is used to signal, concern about employees as well as the survival and success of the organization. This kind of symbolic action is comparable to placebos used in medicine. Hiring consultants may also serve to mollify groups that are dissatisfied with the organization, trying to ensure their support while lessening opposition and conflict (Pfeffer, 1981a).

Finally, management consultants are also used as "deputies." Managers engage them to work on risky, difficult, or unpopular tasks and decisions. If the consultants fail or third parties complain about unfair treatment, managers can use the consultants as scapegoats. In case they are successful and everybody is happy and satisfied, managers can step into the limelight.

Analyzing the function of consultants on the individual level leads to sociological and psychological aspects that are mostly neglected at the organizational level. Management consultants, in essence, can be thought of as a means to enforce interests of different stakeholders of the client organization. Although one might argue that these functions are irrational and subordinate to those mentioned before, they do explain certain structures and phenomena within the management consulting industry.

Derivative Multiplier Effects

Besides those direct functions of consultants that are engaged and paid for by clients, derivative effects and functions have evolved on the industry level. These functions, which are the result of complex, reciprocal, and reinforcing processes, fulfill two important purposes: (1) the breeding, sorting, and labeling of management talent, and (2) developing new management knowledge by bridging academia and practice.

As mentioned earlier, Franck and Pudack (2000) draw on new institutional economics theory in their assessment of talent selection as a main

function of top management consulting firms. They argue that these firms have developed and established very sophisticated recruitment and career systems that enable them to efficiently screen and sort management qualifications (i.e., human capital). Through their experience and information on other organizations, clients learn about high drafting and promoting requirements. The consultancy's accumulated reputation and its brand name provides signals for obscure management qualifications. Recruiters can derive expectations from the fact that an applicant has proven to match the specific selection criteria of the management consulting firm. We assume that there are even more complex processes that lead to this derivative function of consulting firms, as other industries like investment banking have comparable recruiting systems. Without going into further detail here, we refer to the specialization of consulting firms, which leads to interesting tasks and profitability—and high salaries that attract people with high potential. These talents help to develop more sophisticated management knowledge and brand names, leading to higher fees, which attracts even more talent, and so forth. Additionally, psychological effects play an important role. Management consulting companies are privileged organizations, which not only breed and sort management talent but label them as such as well.

Management consulting firms also act as an intermediary between scientific research and practical application due to their specialization. Since they focus on specific problems and concentrate on knowledge transfer, they are able to connect to several knowledge producers. As a result, they are able to build a complex network structure that provides them with access to different sources of knowledge. While working with organizations from different industries, they are exposed to current management needs and problems. Similarly, their contact with research institutions not only opens up recruiting fields but provides access to new ideas as well.

Although these functions of management consulting firms provide economic value, they are derivative in nature, that is, they are not part of the mission of these firms. Neither the selection nor the education function are services intended to be sold to clients. These services do, however, support the objective of management consultancies and add value to the industry and economy as a whole.

CONCLUSION

Undoubtedly, complex situations require complex representations (Luhmann, 1984). Organizations are complex systems and therefore require more than one theory to find useful explanations. The framework devel-

oped in this chapter draws on several organizational theories in an effort to explore the dynamics that exist in management consulting.

As we based this framework on logical reasoning, our own experiences, and qualitative data, we propose two areas for further research. First, we encourage other authors to challenge and develop this framework by incorporating other perspectives and integrating other relevant organizational theories. Second, we feel the need for empirical tests of the hypothesis offered, especially on the individual level with its power and political realities. Furthermore, our framework relates mainly to the knowledge and interpretation level in managerial decision making. As culture studies show, accepted norms, beliefs, and deeply anchored traditions frame decision making and enforcement as well. This avenue may be fruitful for extending our framework.

As suggested in this chapter, the management consulting industry as a whole has been highly understudied. Although management consulting firms often collaborate with academic researchers to develop new management concepts and methodologies, they are very restrictive with regard to their own internal organizational structures and processes, incentive and motivational systems, and business models. As a result, research in this realm has been forced to rely on the perspective of clients or information from former, often disgruntled, employees of different consulting firms. More systematic research, guided by frameworks such as the one proposed here, will provide fruitful insights into this mysterious world, perhaps even offering economic and competitive advantage for the ultimate "masters of business administration" who typically believe (wrongly) that they know everything about management.

NOTES

1. For a historical review of the origins of management consulting, see McKenna (1995), who also points to political developments as a reason for the initial intensification of external management consulting activities in the United States (e.g., Glass-Steagall Act and SEC disclosure regulations in the 1930s).
2. The statement "'Those who can, do. Those who can't do, teach. Those who can't teach, consult'—Cited by an executive who had poor results with consultants" is from Weiss (1992, p. ix); see also Nippa (1997) and Tomasko (1993), who exemplify the gap between promises or expectations and actual results.
3. While it might be interesting to identify and analyze the reasons why the management consulting industry is understudied, this concern is beyond the scope of this chapter. It is important to note, however, that often in contrast to their advice to all kinds of clients, management consultancies show distinct forms of corporate governance, communication policies, organiza-

tion, and incentive systems. Secretive behavior in all matters is justified with protection of client information.

4. As newer evaluation methods of the real option approach demonstrate, however, an economic value can clearly be attributed to flexibility beyond only verbal assurance (see Nippa & Petzold, 2000).
5. On this term and the underlying concept, see Milgrom and Roberts (1992), pp. 133–140.
6. Goods, which have qualities that can only be judged after the fact or are even expensive to judge after purchase, require certain mechanisms to signal truthfully their quality to convince customers (see Nelson, 1970, and Darby & Karni, 1973).

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CHAPTER 10

HUH AND ITS VARIANTS

Signs of Potential Doom?

Susan M. Adams

Reflecting on the dot-com debacle, Tom Peters (2001) notes, "We learned more in the past four years than at any other time in the history of business." Personally, I would extend his observations to the staging years of dot-coms, including those years when attitudes toward seeking large and quick payoffs were richly rewarded. Indeed, as a historical period, the past 10 to 15 years provide us with numerous cases from which to draw lessons about organizational growth and decline, corporate governance, leadership, and business process improvements. Those of us involved in consulting during this period have had front-row seats in the lecture hall of a master teacher. A master teacher takes his or her vast experiences and knowledge, and brings it alive in packages that students can absorb. The recent expansion of business, juxtaposed with the more recent downturn, packaged such experiences in a compressed period of time for us to see, hear, and touch—to absorb through the experiential learning of consulting. This chapter focuses on a few lessons that are beginning to gel for me as I reflect on some of my experiences. Specifically, the focus is on the word "huh." Let me explain.

Sometime during the days of technology glory, I began to notice that I could sense when I was walking into a literal mess of an organization, even though its stock price, reputation, and other indicators of organizational success did not overtly reflect the troubles I was sensing. Recognizing patterns of behavior and the link to probable consequences are nothing new

for consultants and managers who have spent some time studying and working with organizations. This ability to "smell" trouble is what makes experienced managers and, dare I say, consultants, worth the big bucks. Even the patterns of behavior I noticed were not new phenomena. They are typical patterns of trouble that every business school cautions against.

"HUH?" AND ITS VARIANTS

This chapter focuses on a critical warning sign of potential trouble. The sign is the various uses of the word "huh." I kept hearing it used where I had those strange sensations of impending doom. "Huh" was used in several different ways and was connected to various aspects of organizational ills. The rest of this chapter reflects on the different uses of "huh" and their associated organizational problems. Consulting avenues for addressing these organizational problems are also suggested. My hope is that readers will pay more attention to "huhs" so that people and their organizations will be redirected, avoiding unnecessary trouble.

"Huh?"

"Huh?" (I don't understand what you're saying) is a typical thought or response by new members of an organization, especially in organizations with strong cultures. Acronyms, phrases, and pet names are obvious sources of confusion for new or transferred employees. Also, a new manager in an organization may bring language from a former organization that takes time for the new organization and its members to learn.

Sometimes it goes deeper. Individual managers may not be able to articulate their thoughts in a way that can be understood by anyone outside a small circle of language compatriots. The use of techno-talk is a great example. As an illustration, a recently appointed college registrar, who came from a technical position, sent the following email to the college community:

> As the campus community is painfully aware, we have been struggling with stress-induced performance problems of multiple origins on BannerWeb for Student. We regret the conditions with which students and staff have been forced to contend and apologize for them.
>
> Prudence dictates that we suspend the registration process at this time... details will follow via email for freshmen and sophomores who have not yet had an opportunity to register. This is largely a cautionary step. The purpose of the suspension is not to address technical problems, there being no unre-

> solved problems at this time. Instead, we want to systematically review the course enrollment patterns to determine whether they have been systematically distorted. Initial evidence suggests that this is not the case. With more difficulty than students deserved, participation has been characteristically high, in excess of 90%. Overwhelmingl,y students have enrolled in full-time course programs, and there seems to have been no widespread violence done to the priority access rules. But if the review and conversations with academic departments suggest that adjustments are in order, we want to resolve them prior to moving forward with the lower class code groups. Juniors and seniors will be kept apprised of developments on this front.
>
> At the outset of this registration season the computing environment was better equipped than ever to support web registration. Improvements were made on both the hardware and software sides. Notably, we installed additional memory in the main server for administrative systems and also for the web server. Advice from professional consultants and colleagues at similar institutions led to modifications in parameters to optimize performance in our specific environment.
>
> A database tuning project rendered the environment more efficient in innumerable ways and improved our capacity to monitor system performance. The only unanticipated factor was largely behavioral in nature and, however motivated, it served to undermine the expected dramatic improvements. In the context of responsible use, these steps should have led to dramatic improvements in the registration experience. Realization that this was not the case makes matters all the more disheartening for all of us.

Widespread violence done to the priority rules? Modifications in parameters to optimize performance in our specific environment? Huh? This communication was an internal memo, so it did not cause much more than irritation, a new topic for lunchroom talk, and some minimal distraction across campus. In another setting, however, nontechnical employees might waste time translating or guessing the content of an intended message rather than enjoying the moment as opportunity for criticism, a favored pastime of academics.

One organization that gave me this eerie sensation of doom was full of techno-speak from both new entrants and long-time employees. Mind you, I have techno-speak tendencies myself so you can imagine the level of jargon it took to set off my sensors. The service organization's mission was (and still is) managing FDA clinical trials for pharmaceutical and medical device manufacturers. At the time I consulted with them, project managers were all technical people with minimal interaction with customers. They received their project assignments from their division business development personnel who were trained and compensated in standard business practices for sales groups. The division directors were all technical people who continuously struggled with turnover and personality conflicts among

their project managers and business development personnel. I heard "Huh?" on a constant basis from all parties. They simply did not know how to speak to one another. I am happy to say some changes were made and immediate doom averted because communication problems and organizational structure issues were confronted. A key was the realization that they needed to focus on the *causes* of the problems created by their perpetual, internal conflict. The division managers, who were mostly trained as scientists before rising through the management ranks, realized that the technically trained project managers resented promises made by business development personnel who were not qualified to understand the complexities of the scientific processes involved. Similarly, the division managers, who were also accountable for business goals, began to understand why the business development personnel were frustrated with obstructionist project managers who would not commit to deadlines and firm budget estimates. In short, the division managers identified the sources of the "huhs" that were plaguing the organization and causing personal miseries such as constant conflicts among their people, missed revenue targets, and high levels of turnover. The organization was hurting enough to do something about it. They were tired of cost overruns to correct mistakes, lost business, frustrated employees, terminations, and turnover. They quickly sought solutions to bridge language barriers and align goals. The compensation plan was revised to focus everyone on similar goals. Cross training for project managers and business development was encouraged, with bonuses to promote empathy. Career paths were revised so that project managers who preferred science rather than management activities could receive senior science position ranks. Finally, and most importantly, the job specification for new hires for project manager positions included both science and business experience and training. The use of hybrid MBA scientists as project managers also facilitated a culture change from infighting to cooperation because these new hires provided language translation services. I walked in at a great time because the organization was ready and it had not yet been sucked into that downward spiral of no return. They had declining, but still strong, financials and a good reputation in the industry. Even so, what a waste! If only they had noticed the "huhs" sooner.

While internal miscommunication can be problematic, interactions with customers that elicit "huhs" can cause real problems. Potential customers can be lost. Current customers can lose confidence in the company because they do not feel they can communicate with someone who cannot communicate with them. As an illustration, a medical device manufacturer spent considerable time and money training its sales team to understand all the beneficial technical intricacies of the company's devices. The resultant sales pitch to doctors focused on product features and the technical benefits of their products. It wasn't until the company hired a technically

challenged salesperson who blew through sales records that they realized the sales pitch needed to focus less on the technical benefits and more on the business benefits. Doctors were not hearing the link between the firm's devices and their ability to make money. The doctors wanted their practices to grow and the technical sales pitch left them saying, "Huh? So, why should I buy this?"

An even worse scenario is when potential investors are left saying, "Huh?" Technical experts start a large percentage of new businesses. Venture capitalists like the fact that founders understand their products, as long as these founding managers can translate complicated technical issues into plain language or, at least, the language of business. In reviewing business plans of technical start-ups to attract investors, I am continuously amazed at the use of techno-talk to describe the business. Investors are much more interested in how the technology can make money rather than the brilliance of the technological details. Editing business plans to reflect the language of the investor audience yields much higher results for founders seeking capital investments. It prevents investor "huhs."

Although the examples above described techno-talk disasters, "Huh?" can happen in any setting where customized language has evolved and flourished. The solution sounds easy. Know your audience and make sure you use language the audience can understand. So why do so many managers fail to follow this simple principle of communication? It can take time and effort to know your audience. It can be extremely difficult if one does not possess strong interpersonal skills, particularly the ability to empathize and engage in active listening. The sounds and sights of "Huh?" should be a cue for emotional intelligence-type training.

Since the structure of the organization and its policies surrounding issues such as compensation and promotions may be encouraging the use of incompatible language and, as a result, preventing bridges across key stakeholders, the organizational structure itself might also require re-examination. As an example, the CEO of a sales training firm was involved in a lawsuit that dragged on for several years. Lawyers from both sides argued over semantics, positions, and the importance of different specific issues with no end in sight. One day, the CEO decided to analyze the situation systematically in the fashion he trains his clients. He quickly realized that the compensation structure he had with his own law firm was reinforcing the use of incompatible language and ideas. Traditional in the legal profession, they billed by the hour. The CEO was the only one who would benefit from a timely settlement. A generous bonus offer to his attorneys for arranging a summary judgment hearing quickly resolved his legal issues and a dismissal of the case. The ability to communicate and settle the disagreement was always an option, but not an attractive one for any of the parties involved except the CEO being sued. A change in the reward struc-

ture among the parties forced direct communication in a venue of common language. The feigned confusion and expressions of "Huh?" uttered from both sides over the previous years suddenly disappeared.

"HUH?"

A second form "huh" often grows from the first form of the communication-related "Huh?" This second form is one of astonished confusion. It is usually followed by a comment similar to "I can't believe what is happening! Why don't we stop this train before it ...?" I call this version "HUH?" Too often I have seen upper management dismiss news of impending doom from people lower in the organization. Think about the companies that missed or are missing the Internet influence on their businesses. The sounds of "HUH?" are loud and clear in those organizations.

Before the Internet craze, I consulted with a company that developed financial software. This company focused on mainframe software applications, ignoring their salespeople yelling for PC applications. The firm is no longer in business. It was acquired by an organization that understood the future. Why couldn't the company's top managers see the obvious? Why couldn't those who did convince those who could intervene? Couldn't they hear the sounds of "HUH?"? Did senior management believe the lower-level workers were ill-informed? Not necessarily. What I observed then, and have observed on other occasions since, is that senior managers often do not see *evidence* of the logic that leads to a doomed future forecasted by their underlings. Lower-level workers do not speak the language of *evidence* to convince senior managers that they need to make some drastic, usually expensive changes. Both parties end up saying "HUH?" when bad times arrive. Senior managers feel they were not in contact with convincing evidence to know what was coming, while lower-level workers feel they lacked control of ways to change fate. Both parties were close to avoiding major problems, but the vital connections of communication eluded them.

As a consultant, I often see and hear "HUH?" in organizations that are flying fast and high. In addition to emotional intelligence-type training and organizational and reward structure analyses, these firms are also likely to need some grounding. They need to be shown they are hurting by seeing the future in numbers and probable lifestyle changes. Data is dismissed as irrelevant because it is not seen as associated with risks that have a direct impact on their interests such as corporate and personal bankruptcy. The links are missing. The process of connecting the dots starts by putting their ears to the ground to listen to the stampede roaring toward them. Interventions can include envisioning exercises and a comprehensive competitor analysis. I find it takes a lot of time offline, with behind-the-scenes chats

involving key power brokers, to educate them on the need to pay attention. I find that logic and emotion work together to unlock blinders and force needed action. Some individuals need to feel they are likely to lose something of value before they will attend to logical risk assessments and make rational decisions. Others are moved by fear of loss if provided with convincing data of real risk. The sounds of "HUH?" are in organizations at unrecognized inflection points, so take your consulting money and run if they won't listen after you have tried everything you can to get them to pay attention. This final act of voluntary termination of consulting services may be the wake-up call they need. The downward spiral of doom is very near the sounds of "HUH?"

"Huh" (With a Sigh)

Another form of "huh" is one that conveys, "I don't care." Visualize it with a sigh. Parents and teenagers frequently exchange this one. "I need money for...," says Billy. "Huh," responds Dad. The organizational parallel can be spotted in meetings where employees are physically present but not engaged, where eyes and smiles are in place when people are face-to-face, but quickly gone as soon as backs are turned. Eye rolling often accompanies this form of "huh." The prominent behavior pattern is avoidance. People using this form of "huh" tend to listen politely but not get involved. This is self-preservation behavior, pure and simple. It can be seen in declining organizations, from people working through the idea of career plateauing, or where people feel they have been "burned" by their companies or managers.

In a rapidly growing start-up, I saw this form of "huh" whenever the senior staff listened to the woes of their CEO. The CEO was struggling with the personal issues about how to spend his newfound millions and the complicated issues of the business. He was making millions in stock options and was perceived as being "stingy" with his staff and the rest of the company. He recommended relatively small packages every year for his staff. He fired people at will. He traveled first class and made everyone else go coach. He never understood why anyone in the organization would not "leap tall buildings" for him. Many did, but those closest to understanding the limited future of the business just bided their time. They did not want to help the CEO any more than they had to (in order to cash out their options) and leave the company and the CEO to fail alone. They were tired of the way they were being treated and saw no hope for change.

Another example of "huh" can be seen in a large, established organization. Jobs were fairly secure at the time, but ambitious employees had little hope for an exciting, challenging future. They were going to be doing the

same job for years to come. The pace was usually bearable, but on occasion different parts of the organization were hard pressed to deliver while other parts were unchallenged. The obvious solution was to trade off helping each other. Unfortunately, "huh" was the response across the organization. Why should they help each other? Organizational members acted as if a break from the action was better than helping each other. Although this response was the first one noted, a little digging unearthed the real issue. What if the favor was not returned? In essence, the real issue was that trust had been lost. One particular manager, who never allowed his staff to help others outside his work unit, had "burned" a few groups in the past and literally created a "us" versus "them" mentality throughout the organization.

The sounds of "huh" (with a sigh) are associated with lost trust and hope. The ultimate pattern is a self-fulfilling prophecy. A consultant dealing with these circumstances needs to change both attitudes and behavior. Changing behavior first is likely to be more successful. This can be accomplished through the use of reward systems and other inducements that reward the desired behaviors along with making the detrimental behaviors visible in a negative light. Such change, however, is a long-term proposition that requires constant monitoring and, when necessary, confrontation, to prevent slippage until attitudes are changed.

"Huh!" and "HUH!!"

The forms of "huh" discussed so far are usually expressed by those in organizations reacting to organizational ills or initial symptoms of ills. There are also forms of "huh" that signal an attack on the organization. These are insidious germs invading the system. One such germ is "Huh!"—as in, you can't stop me from doing what I know to be right. Consider the following example of a sales manager in a large pharmaceutical company who paid dearly for not recognizing and dealing with his own "Huh!" behavior.

Phil was a popular, successful sales manager who wondered why he was stuck in sales management rather than moving up the ladder into a corporate leadership position. He was considered a "go to guy" by most in the company whenever there was a problem, but he was not considered a team player due to his unilateral tactics. One incident in particular sealed his fate. The amount of customized direct marketing for the geographic regions was a source of dispute for years in annual budget meetings. Phil was convinced that customized marketing was necessary. Instead of fighting the annual budget battle to secure what he felt was a token amount, he decided this was a "Huh!" moment (my interpretation of events), a time when he should just do what he thought best. He gathered his people to

tighten their region budgets to find ways to fund their own underground marketing materials and programs. The plan worked beautifully for all until the company decided it was time for reorganization. Region budgets were more carefully scrutinized and rumors about underground marketing in Phil's regions were confirmed. The corporate marketing director was furious and, to make matters worse, the corporate marketing director was to be Phil's new boss under the reorganization plan.

Many lessons are embedded in the Underground Marketing story. The point for this forum is the "Huh!" behavior and its consequences when Phil decided to launch his own marketing program without corporate blessings. In this case and other similar ones involving the use of "Huh!," the troublesome mechanism is the combination of feelings of confidence with the latitude to act without permission. This example of self-proclaimed empowerment might be considered a good thing under normal circumstances (i.e., an organization with healthy relationships) because of all the individual and organizational-level benefits of empowerment. Even in a seemingly chaotic organization going through change, this type of renegade behavior should be applauded because it provides a model of how to be brave and try new things.

However, the Underground Marketing story provides clues that the use of "Huh!" behavior in this case could be a problem. The first clue was that Phil and the others involved never openly and honestly confronted the issue of marketing support. It had been a habitual debate. Another clue was that Phil's first course of action was a unilateral move instead of trying to work the system from a different angle, such as negotiating a trial or pilot program that the entire budget team could live with and claim as a group decision. Phil also never thought through the potential personal and organizational consequences of his actions. In the end, the company lost Phil who left in disgust, the Director of Marketing (who was eventually asked to leave), and many others as the company headed downhill from avoiding other issues similar to the direct marketing budgets dispute. Phil's use of "Huh!" promoted avoidance of key issues and healthy organizational behavior. It fed the growing cancer.

There was a happy ending for the organization. A personality analysis of the top management team revealed that most of the individuals were classified by the Myers-Briggs typology as INTJ. They avoided people, preferring to focus on tasks that could be accomplished and were quick to judge where to focus their time. The dysfunctional team at the top taught the rest of the organization how to avoid issues. Once the management team understood what was happening, intentional management changes and attrition produced cultural changes and organizational renewal.

A sophisticated analysis of "Huh!" behavior is the first step toward saving the patient. If the "Huh!" behavior is the malignant form, the antidote

involves confrontation, acknowledgment, and culture change. This prescription may be quite a cocktail, but the malignant form of "Huh!" is an aggressive disease that requires aggressive measures that are difficult but necessary to implement. If untreated, the next stage is signaled by the use of "HUH!!"

"HUH!!" behavior is commonly called arrogance. I saw it in numerous companies before the technology crash and in several innovative start-ups whose members thought they could dominate their niche without constant innovation. While exploring the idea of expanding a consulting engagement with a high-profile technology company, I asked a question that provoked a "HUH!!" response. I asked, "How much longer do you feel customers will pay a premium for your products when other companies are beginning to compete aggressively in your space?" The answer was, "Forever because we are who we are." In other words, "HUH!! We are so great and powerful that we can do anything we want to do." The company will survive because it has deep pockets, but it has lost market share and had a huge decline in its stock price and analyst recommendations. It has become vulnerable to competition in areas it dominated before becoming arrogant, ignoring signs of encroachment by unidentified competitors.

Consultants working with "HUH!!" behavior should take a similar path to treating "HUH?" because "HUH!!" behavior is usually the cause of "HUH?" responses. The organization needs to recognize impending danger and pay attention to cautionary warnings from others. Ensuring that the organization comes to grips with this realization, however, is a very tough job with a high likelihood of failure because the downward spiral has already started. This is the time to provide convincing data from trusted sources that shows what is at risk and how soon trouble could begin. This is the time to provoke emotions so that managers will pay attention and act. The consultant must use multiple approaches to appeal to multiple parties with time working against you. I liken it to diffusing a complicated bomb.

A tool that helps in some "HUH!" situations once you have all the players in one room is a "Who Knows What" Matrix. The starting point is a listing and rating (or ranking) of the importance of various types of information that they should consider at that particular point in time. This assessment literally takes some "pushing" and "pulling" with insular management teams. The next step is to list sources of information and rate the credibility of the different sources for each piece of information desired. The consultant often needs to push to expand the list beyond the people in the room, and to include objective sources of data such as market share. In the final step, a matrix and numerical line computations are produced that suggest *who* knows *what* information that *should* be considered as they assess their current state of affairs. This tool can guide attention toward previously dismissed signs of trouble as long as those involved take the pro-

cess and steps seriously. Some stroking and congratulations for being proactive also help. You don't want to destroy the confidence that will be needed to act on realistic assessments of the situation, just the overconfidence associated with ignoring reality.

"Ah-huh!" (I Got You, You Dummy)

A form of "huh" recognized in everyday life is the "gotcha" variety. This form is less visible than those discussed above, but it could be more pervasive. The perpetrator lays a trap that guarantees failure for those involved with him or her, and then says, "Ah-huh!" which means, "I got you, you dummy." This variation of "huh" is used with groups and in individual exchanges wherever someone is desperate to establish authority and status.

On occasion, I have consulted with academic institutions for process improvement and leadership development. Granted, the educational community does not own the market on using "Ah-huh!" but from my experiences, they seem to display it more readily for a number of obvious reasons. Wander the halls of academic institutions at all levels and you will hear instructors setting traps to catch students. Some of these are intentionally instructional; some are a form of impression management. Herein lies the difference.

A senior manager at a well-known financial services firm refers to the impression management form of "Ah-huh!"—a game called "Stump the Dummy," played by managers with high egos and/or low self-confidence. These individuals focus the attention on themselves rather than the task, trying to goad others into playing a game that is destined for failure. The financial services manager labeled the game after watching one of his former managers try to gain respect from his new staff following a post-acquisition reorganization. He was a senior manager from the acquired company assigned to run a division of employees from the acquiring company. He later told my contact in the organization that he was scared to death because these people knew their jobs much better than he did, and he felt they would see his leadership as worthless.

In a classic self-fulfilling prophecy-type parody, his employees did come to see his leadership as worthless following his "Stump the Dummy" game. After reviewing the division's performance reports, he called a meeting to ask everyone to speculate on how they were doing. Although staff members were fairly close in their assessments, they were not completely accurate. He ranted about them not being informed and left the room. Later in the day, a brave soul told the manager that they would be able to follow the division's performance much more accurately if they had access to the same reports he did. In essence, the employee revealed the game's mecha-

nism—the senior manager was actually involved in information hording (followed by gloating)—as a consultant should in such a situation.

The prescription for "Stump the Dummy"—openness and information sharing—becomes rather obvious once the underlying pattern is detected. Detection, however, is a major stumbling block because some managers are extremely clever in masking this type of "Ah-huh!" game. They can assign personnel to no-win situations because the employees lack the necessary formal contacts or data. Then when doom is near, the manager jumps in to save the day, assuming the status of savior. Masters of this game can make those caught in it feel as though they have actually been helped rather than set up.

Consultants should listen for language from the manager that sounds like he or she is concerned with the immaturity or lack of adequate skills among those in his or her charge. The worse they look, the better the manager looks. The consultant should also evaluate the security that manager has in the organization. An individual may employ this game if he or she feels the need to justify his or her existence. The long-term effects on employees and the organization include morale issues that could lead to voluntary turnover and lost opportunities for genuine employee development. Consultants and managers at all levels should be made aware of this detrimental pattern of behavior. A consultant will also want to do some coaching with the perpetrator to prevent the need to employ the game by identifying other options. Yet, simply revealing the underpinnings of the game allows parties to begin a dialogue toward healthy interactions.

Good Forms of "Huh"

"Huhhh." Occasionally, a form of "huh" can be heard without the chills of impending doom. This is a pleasant form of "huh" said in a contemplative way. "Huhhh, that's an interesting idea. What if we try..." is an example of this form of "huh." Healthy organizations or people with open attitudes and the acceptance that change and innovation are the keys to success in the new economy use this form of "huh" on a regular basis.

"Uh-huh" (okay, I'm following what you're saying). The antithesis of "huh?" is "uh-huh." This is a healthy acknowledgment of conversation flow and comprehension—of genuine communication. All forms of "huh," however, can be misinterpreted if not read in context and in conjunction with other cues. The environment and business trends need to be considered. Observers should also analyze the patterns of actions and words, or in this case, utterances and uses of "huh." In my experience, the most important consideration is the nonverbal behavior that accompanies the "huh" conversation.

CONCLUSIONS: IMPLICATIONS FOR RESEARCH AND PRACTICE

Being alert to areas of trouble caused by communication difficulties, misaligned systems and processes, lost trust and hopes, and arrogance is common practice for management consultants. The acknowledgment of "huhs" and their associated ills provide another tool for consultants to use in spotting and treating these maladies. Table 10.1 summarizes the various uses of "huh," the problems signaled, and suggested courses of action for consultants.

Table 10.1. "Huh?" and Its Variants

Form of Huh	*Meaning*	*Behavioral Indicators*	*Suggested Courses of Action*
Huh?	I don't understand	From speaker: confused looks, frustration, withdrawal, isolation From stimuli: extensive use of jargon or techno-speak	To stimuli: culture evaluation, communication intervention, empathy training To speaker: orientation activities
HUH?	WHAT??	From speaker: frustration, anger From stimuli: pompous, overconfidence, fortunate situation (e.g., lucky timing)	To stimuli: Rude awakening with a confrontation with facts and provoked emotions or get out To speaker: negotiation skills, career advice
Huh (with sigh)	Don't count on my help	From speaker: lost hope and trust, glazed eyes, eye rolling, public agreement but no follow-through, avoidance	Revise reward system, trust-building interventions
Huh!	Just watch me	From speaker: loose cannon behavior, uncoordinated actions From stimuli: lack of consensus building and collaborative negotiation	Culture change, process controls, and empathy training with group
HUH!!	I'm above that	From speaker: arrogance, dismisses contradictory information	Provide irrefutable evidence and provoke emotions or get out
Ah-huh!	You dummy	From speaker: low self-confidence, need to impress Situation: possibly zero-sum gain reward system (e.g., layoffs)	Revise rewards system if necessary, coach speaker on alternative methods of impression management and advantages of information sharing
Huhhh	That's interesting	From speaker: listening, willing to learn and explore new ideas, exchange of ideas	Encourage throughout the organization
Uh-huh	I understand, I'm following you	From speaker: nodding, willing to seek and accept information from others	Encourage throughout the organization

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The observations and recommendations reported here are clearly based on subjective and reflective research. This clinical approach is a recognized methodology suited to analyzing organizations (Levinson, 1972a, 1972b), but its use is obviously limited by the researcher's capabilities and biases. As the recorder, analyst, and reporter of this data, my personal biases should be acknowledged. As someone trained in the field of organizational behavior, my focus (and bias) is on interpersonal behavior and its effects throughout an organization. My bias toward an organization development methodology (e.g., Burke, 1987, 1993; French & Bell, 1984) in working with companies may also influence what I see and hear. I look for evidence of problems and their associations across the organization and then contemplate the best interventions. Other views may offer additional insights into this perspective.

The range and nature of my consulting could also limit the amount and framing of data that led to the conclusions reached. In order to assess this potential effect, I analyzed the 71 engagement sites since 1986 when I formally began management consulting. This list reflects a broad range of industries, ranging from start-ups to major international corporations, suggesting that my observations and conclusions are likely to be generalizable. The list of engagements does not capture additional influences on my thinking, such as individual casual conversations, classroom discussions, and plant tours that could have unintentionally shaped my analyses.

Finally, due to my personal experiences in the roles of consultant, board member/chair, and senior manager, I am also likely to focus on issues related to organizational survival and growth, such as cash flow and available organizational resources.

This exploratory, clinical reflection and study raise a multitude of issues for researchers interested in management consulting. Are the suggested interventions effective? Are "huhs" more likely to occur in certain types of organizations? Are there certain organizational events, such as cost cutting and retrenchment, more related to "huh" behavior? While this study was based on topics that fall under the umbrella of organizational growth (e.g., routine business process improvements, organizational structure changes, strategy re-evaluation), do consultants focusing on other types of issues see different types and amounts of "huh" behaviors?

On a more practical note for management consultant practitioners, this study suggests the importance of listening and watching for subtle clues that could signal trouble. More importantly, the observations noted here suggest that consultants should be prepared to deal with obstructive interpersonal behavior. A common underpinning of problematic "huhs" is the lack of empathy. It is no surprise that a better understanding of others and the situation, along with better communication, would cure many, if not most, of the ills associated with uses of "huh." Individuals expressing "huh"

choose not to understand and act in consideration of others, or, as in the case of "huh?" behavior, may not be capable of doing so without intervention, such as training or an intermediary. This could be one of the reasons why emotional intelligence training has become so popular. Another skill consultants need to intervene effectively in a "huh" situation is the ability to persuade overly confident individuals to look at circumstances through different lenses so that they can see the reality others see. This means being brave enough to confront a client in tough terms, even though you may risk future paychecks. Finally, a management consultant needs to be able to identify organizational structures, policies, and procedures that could be encouraging problematic "huh" behaviors and move the organization toward more healthy arrangements.

The discussion of "huhs" in this chapter does not provide a magic bullet for management consultants, but it does provide another tool for spotting trouble and suggestions for dealing with organizational ills associated with different types of trouble. Hopefully, this chapter will help some consultants and managers see the warning signs around them, helping them to avoid an impending doom that they may not have seen before.

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CHAPTER 11

HOW TO UNDERSTAND MANAGEMENT AND CHANGE[1]

Is the Actors' Logics System Analysis One Useful Answer?

Georges X. Trepo

When dealing with questions of management and intervening in organizations, one should always carefully differentiate between "what should be," that is, normative models promoted by academics, consultants, and top managers, and "what is," that is, the actual arrangements and regulations lived by organizational members that can only be documented by careful and prolonged empirical research. To understand human systems and to be able to act both upon and within them, the key individuals or collective actors relevant to the specific issue at stake have to be identified and their logic of action reconstructed according to their true objectives, assets (i.e., those uncertainties they alone control), and constraints.

The method of analysis proposed in this chapter is based on the work of Crozier (1964) and Crozier and Friedberg (1980). A basic assumption underlying this perspective is that ppeople are reasonable and intelligent and cannot be convinced by theoretical abstract models to behave differently. As a method of analysis and understanding, it does not prescribe any a priori "solution" to organizational problems. Rather, it assumes that a common understanding and acceptance by all organizational members (especially top managers) of the power relationships and arrangements

(whether formal or informal) that exist in organizational life are essential prerequisites for change.

MANAGEMENT FADS AND THE CONSULTING INDUSTRY

As management consulting has become a $250 billion industry—characterized by rapid and constant growth—it increasingly reflects the succession of fads in management theory and practice, which have shorter and shorter life cycles. We have witnessed an emphasis on diversification in the 1970s, corporate culture in the 1980s, and "sticking to your core business" during the 1990s. Although management prescriptions in the 1960s and 1970s advocated leveraging resources by taking on debt, today virtually every company is decreasing its debt-to-equity ratio.

Management fads (mimetic imitation) are created, sold, and implemented by consultants (see, e.g., Venard, 2001). As an illustration, the reengineering fad began in 1990 with the publication of Michael Hammer's article in *Harvard Business Review*, followed by his coauthored book on the subject (Champy & Hammer, 1993). Book sales were impressive—250,000 copies were sold in one year in the United States, and an additional 200,000 copies in Japan during the same period. In 1988, Champy had become president of CSC Index, a subsidiary of CSC Consulting. By 1993, CSC was creating subsidiaries or acquiring other consulting firms throughout the world, generating a multibillion-dollar consulting business. For a while it seemed that reengineering was the antidote for every business ill. To quote Woody Allen, "The answer is the 'X,Y,Z' solution. What was the question?" Unfortunately, it appears that what we are witnessing is a case of a "solution/consultant in search of a problem/client."

There are clearly costs and benefits associated with management fads (e.g., Abrahamson & Fairchild, 1997; Trepo, 1987, 1988). On a positive note, such fads can be viewed as a source of energy and dynamism, helping organizations break away from the status quo. On the negative side, however, a fixation with a fad may be interpreted as a sign of panic, a regression to a "cure-all," a magical belief in the quick fix at the expense of distance and analysis. Critics also contend that adopting fads is a way for top management to minimize risk and avoid responsibility (see, e.g., Shapiro, 1995).

BEYOND MANAGEMENT FADS: BACK TO ANALYSIS

While there appears to be growing agreement that "ready-made," "one-fits-all" solutions are ineffective at best and potentially dangerous over the long term, questions still linger with respect to appropriate models and frame-

works to guide a true analysis of the situation. What should one look for? Using an analogy with medicine, diagnosis is guided by a model, a reference point of health and/or sanity that is used to identify and measure deviations from the norm. Is there a similar "one best way" approach to diagnosing organizational and management problems? What is a "healthy" organization? Conglomerates like Tyco are looked down upon today, while in the recent past they were "state of the art." Do clients and consultants agree on what is "good" or "bad"?

Hornstein and Tichy (1973) have suggested that:

- consultants and clients should confront their implicit/intuitive models of organization and motivation, cognitive maps/paradigms, values, and norms; and
- share these in a common diagnosis (of a small unit) through different diagnostic "tracks," either offered by the consultant or mutually created, facilitating a common model for diagnosis of the larger system.

Given this perspective, it seems more appropriate to talk about *analysis* rather than *diagnosis*, as the analyst or consultant should not impose a normative model of a "healthy" organization. Yet, it is very un-natural for us to simply *analyze* (understand the system) and not *diagnose* (i.e., identify) the deviation between "what is" and "what should be" (according to some model). While diagnosis leads quite naturally to an action plan and allows consultants and managers to feel "on top of things," Hornstein and Tichy's suggestions are rather idealistic and, given our growing preoccupation with speed and increasing cycle times, may not be very realistic.

The approach suggested in this chapter does not require extensive testing between consultants and managers of their underlying paradigms, values, models, and so forth. Simple, but essential, it does not have an a priori model of a healthy organization. It makes visible (and starts from) the more or less hidden arrangements between people and units.

Analysis of What?

Virtually all consultants will argue that they undertake a diagnosis or a feasibility study prior to applying any "solution" or prescriptive model in their work. If they are in the business of strategy formulation, for example, they will gather information guided by a 2 × 2 Boston Consulting Group-type matrix, or will gauge the situation using other well-known frameworks (e.g., Hamel & Prahalad, 1994; Porter, 1980). Most analyses and initial diagnostic efforts, however, are done in preparation for an intended change, in essence a solution in search of a problem.

Unfortunately, change cannot be effectively managed when the initiators are content with superficial analysis and/or blanket statements, such as meeting the needs of "the users," "the client," or "the client *system*." "Users," for example, are composed of various actors pursuing different strategies that have to be defined more precisely. As an illustration, while EDP specialists and software vendors typically refer to "users," this group can range from the 25-year-old "net wizard" to the 55-year-old whose computer literacy is far more suspect. Such users may react very differently to technological change, from those who see what they can "win," to those who dread "losing ground." Similarly, the "client system" is an oversimplification for the sake of speed and expediency. We know that any change program will be embraced by certain actors, largely accepted by some, and "dodged," neutralized, or even resisted by others. Thus, it is important to map the key actors and, after identifying their relationships and power positions, reconstruct the logic underlying their actions.

Organizational Images

Any purposeful action in an organization is based on a representation of that organization (Morgan, 1986). Pfeffer (1981), for example, defines four types of organizations:

- *Rational choice* organizations, where goals are consistent, stable, and *common* to organizational members.
- *Bureaucratic* organizations, where goal congruence is ensured through standard operating procedures, planning, budgeting, management by objectives, reward and punishment systems, communication and training programs, and so forth. In this form, it is assumed that procedural rationality (based on an array of "tools," such as plans, reward systems, or objectives) should lead to substantive rationality (actual outcomes).
- *Decision-process* models of organization, also referred to as the "garbage can" model (Cohen, March & Olsen, 1972) or the process of "muddling though" (Lindblom, 1979), focus on the use of rationality in how decisions are made compared to rationalizing decisions in an ex-post manner.
- *Political models* that point to the failure of modern bureaucracies to ensure stable, congruent shared goals.[2]

Although all these organizational forms are evident in the business world, a number of authors (e.g., Greiner & Schein, 1998) suggest that while the rational organizational model appears to be an organizational ideal, the pluralistic, political model is a more realistic portrayal of organi-

zational life. Thus, a guiding assumption in the framework presented in this chapter is that organizations are political systems whose members do not all share the same goals. Since organizational members will always pursue, to a certain extent, their own personal goals, it is necessary to understand the logic underlying their actions since this logic ultimately dictates how they will respond to planned change.

THE ACTORS' LOGICS SYSTEM ANALYSIS

The framework proposed in this chapter—the Actors' Logics System Analysis (ALSA)—emerges from the political model of organizations. This approach does not have a predetermined solution in mind, nor does it promote an ex-ante model of a "healthy" or "high performance" organization. It is focused on the arrangements and regulations between actors, an emphasis that permits an "x-ray" of the power relationships that exist in the system. A guiding assumption is that only if one can reconstruct the logic of action of key actors and the "games" they play, can one hope to intervene and modify the status quo with a reasonable chance of success. Instead of pushing a normative model, the method emphasizes understanding and reframing stakes, perception, rewards, and so forth. This approach is based on four postulates.

Postulate 1: *All organizational members have their own values, rationales, and objectives.* Employees always have some degree of bargaining power, for instance, control of uncertainties, scarce resources, knowledge and information, playing with the rules, and so forth. Just because employees might behave differently from management's expectations does not mean they are not rational. Their rationality—or *logic of action*—may be different from that held by management. If you, as a consultant or manager, think an employee is being irrational, the problem lies with the perceiver (e.g., you may not understand the system) rather than the actor.

Postulate 2: Employees are *actors* whose behavior can only be partially conditioned and controlled by management (e.g., through reward and punishment, training, information).

Postulate 3: Behind organizational rules and procedures, informal micronegotiations and arrangements constantly take place between units and individuals. These interactions constitute system *regulations* that may be more or less efficient (in terms of time, money, and human stress and pain) and lead to poor or high economic performance of the system.

Postulate 4: In general, actors place their own *self-interest* (as they perceive it) first, followed by their natural group interest, and lastly by the larger unit or organizational interest.

These postulates can be illustrated with François Dupuy's "shampoo girl" case.[3] In the late 1970s, L'Oreal, the world leader in cosmetics, planned to increase its sales in hairdressers' salons by creating a special brand—Kerastase—for this specific distribution channel. The marketing function at the company decided that the young women who were giving the shampoos to the clients would be best suited to sell the new shampoo and hair-conditioning product. Since these women were the lowest-paid workers in the salons, it was thought that an attractive financial incentive scheme would entice the "shampoo girls" to push the product. While the scheme was launched with great hope, it was an absolute disaster and market forecasts were not met.

Dupuy conducted an ALSA analysis in various salons throughout Europe. His analysis revealed that a key determinant of the lack of sales was the desire by the "shampoo girls" to stay in their jobs until a more prestigious and better-paying hairdresser position became available. At first, whenever they tried to sell the shampoo to the client, the hairdressers became irritated because they considered themselves the only ones entitled to talk to clients about their hair problems. By asking the "shampoo girls" to sell directly to the clients, L'Oreal had violated the *social order* of the salon and the young women quickly found out that their long-term interests would be jeopardized if they followed the sales strategy. As a result, L'Oreal devised a softer, more indirect approach in which hairdressers offered product *advice* to the clients rather than attempting to *sell* the product, which was perceived as being degrading to "artists."

As illustrated by the L'Oreal case, these four postulates, which are amply demonstrated in the literature (e.g., Crozier, 1964; Dalton, 1959), have an intuitive, common sense appeal and square with our everyday experiences in organizations. If actors don't have common interests and goals, they will use whatever source of power they can mobilize to serve their personal ends.

Using the ALSA Approach

The ALSA approach is based on five action steps: (1) identifying the actors; (2) drawing a sociogram of relevant relationships; (3) evaluating the power positions of the various actors; (4) reconstructing the actors' logics of action; and (5) identifying regulations and their costs and consequences.

Identifying the Actors

The key actors in any situation may be individuals or a collective inside (e.g., work unit, craft, department) or outside the organization (e.g., community, political stakeholders). The actors are stakeholders in the sense

that they are involved in the situation, and exert an influence on the problem, decisions, or actions in question. Every situation has the same actors playing "endless games" (but actors are also issue-specific; if a major change or problem arises, they may be different).

Drawing a Sociogram of Relationships

Sociograms, a way to measure patterns of interaction, influence, and activity, have been used for more than 70 years to quickly grasp the relationships in a social system (see Moreno, 1947). The ALSA analysis focuses on three types of sociogram analysis: opposition/conflict, alliances, and dependency. Opposition/conflict interactions reflect more or less covertly hostile relationships. "Alliances" mean (at least for a specific problem or interaction) that people cooperate more than would normally be expected. Dependency means that one of the actors has very little room to express any disagreement or conflict and has to be a follower. It is important to note that each of these sociograms is issue-specific. "X" and "Y," for example, might be allies in relation to one problem while in conflict on others.

Evaluating and Measuring the Power Positions of the Various Actors

The next step in the analysis is to look for the various sources of power in operation. While power dynamics can be very different depending upon the situation in question, consultants could look for indications of attempts to control scarce resources on which others are dependent (the more critical are resources, the more dependence and power held by the actor in question), control of information flows, network ties both inside and outside the organization, the degree of centrality of different roles, and the actors' ability to shape and influence values, assumptions, and information used for decision making. Similarly, personal power bases—such as position power based on one's expertise or personal power based on charisma and energy—should also be considered. In general, the key is to gain insight into different actors' abilities to frame issues and influence organizational outcomes. It is important to remember, however, that power in democratic systems is often hidden under the guise of rationality.[4] "Victories" are presented as rational decisions, while "losers" attempt to save face.

Reconstructing the Actors' Logics of Action

In analyzing the logic underlying the actions of the key actors, it is important to remember that such logic is often different from official business objectives, publicly stated objectives, and self "explanations" given by actors that are often ex-post rationalizations of their behavior. Thus, it is necessary to *reconstruct* the logic through comparative analysis, examining and probing: (1) observable behavior; (2) critical uncertainties (e.g., breakdowns, customer contact) in the situation; (3) the resources that a

given actor can marshal; (4) constraints (e.g., operational procedures, budgets); and (5) the "true" objectives that are involved. Shrewd actors often hide their objectives to be as unpredictable as possible and to maximize their power position. From the vantage point of the individual actor, however, the logic of action is a rational solution to resolving the tensions between objectives, uncertainties, resources, and constraints. Uncertainties in the situation are especially relevant to ALSA if: (1) they give power to other actors or create problems for the entire unit or organization; (2) the actor who can control them does so to serve his or her own objectives, and/or (3) the actor manages to remain unpredictable.

Figure 11.1 provides a framework that illustrates this analysis. For each of the "endless" games taking place in the subsystem under analysis: (1) the key actors are listed; (2) each actor's resources, constraints, and power base(s) that can influence these games are identified and assessed (e.g., control of key uncertainties of scarce resource, interpretation of rules, expertise); and (3) the logic of actions and objectives are reconstructed by looking at alliances, coalitions, and affiliations (dependence). By delving into the informal negotiations, the give and take between the actors, and the arrangements between them, greater insight can be generated about how the system operates in practice.

As a rough approximation of what is generally at stake in work situations for most individuals, one can draw on five main categories of stakes that influence people in the workplace: (1) job content, responsibilities, and autonomy; (2) interpersonal and group relationships; (3) unit or company-wide relationships (which reflect the actor's professional role or status); (4) relationships outside work (balance with personal or family life);

Key Issue or Problem	Key Actors	For each Key Actor: Resources/Constraints	Key Actors' Logic of Action
		• Budget • Interpretation of rules • Expertise • Control of scarce resources • Control of key uncertainties • Centrality in work/information flow	• Arrangements • Formal/informal negotiations • Cost of arrangements: Who pays? • Customers • Shareholders

Actor 'A' has power on 'B' or in Unit 'X' *if* 'A' controls uncertainty or scarce resource(s) that are important for 'B' or 'X'

Figure 11.1. Reconstructing the actors' logics of action.

and (5) compensation and career opportunities. Since actors construct "reality" according to their beliefs, values, mental images, and past experience (see Berger & Luckmann, 1966), if management or the change agent wants to predict the reactions of other actors, the values and beliefs of these actors must often be inferred.

Identification of Regulations and Its Costs and Consequences

The various arrangements and negotiations between actors have numerous impacts on both the performance of the system (e.g., cost, quality, response/delivery time) and the well-being of individuals (e.g., stress, tensions, deadlock, opportunities for learning and development). When there is organizational slack (e.g., manpower, low response time), it is easier for human beings to work together across tension-provoking interfaces (e.g., between departments). The performance of the system is often based on the comfort of employees (as is generally the case in organizations that do not face any competition). As competition grows, however, people have to do with far less slack and must be able, both psychologically and emotionally, to constantly resolve the resultant differences and tensions.

Applying the ALSA Method

As an illustration of the ALSA method and its utility for consultants and change agents, this section presents two case vignettes: an application of the method in France's EMIR Group and a bureaucracy in Belgium.

Illustrative Case #1: The EMIR Group

The EMIR Group distributes petroleum and lubrication products throughout France.[5] The company has over 4,000 service stations. Key players in the EMIR Group are summarized in Table 11.1.

Sales agents have a central role in the system. They are organized into networks according to type of product/clientele serviced (e.g., official network, automobile network, general trade). They are, with few exceptions, the only ones in direct contact with the clients. They are evaluated on the tons of products sold and know their market potential better than anyone else. The negotiation of sales targets every year is considered a "picnic" for them.

Sales assistants support the sales agents in administrative tasks. While the male sales agents are mobile, in the field, the female sales assistants are in the office; one of their roles is to talk with clients over the phone and act as a point of contact between EMIR and its customers.

Sales managers act as an intermediary management level. In charge of five to six sales agents, they are intended to provide a support and supervi-

Table 11.1. Understanding the Games: Players' Stakes, Resources, Constraints, and Behaviors in the EMIR Group

	Stakes	*Resources*	*Constraints*	*Behaviors*
Sales agents	Protect one's turf • forge strong friendships with clients	Know the clients personally and deal directly with them	Paperwork? "Keep the numbers" (but not very difficult if well established in their sales territory)	Choose the products they want to sell Deal directly with regional sales head if needed Use coalition (2 or 3) to influence their sales manager if needed
Sales assistants	Freedom from commercial administrator rulership • side with sales agents	Know the status of all accounts for given sales agents Legal and administrative knowledge	Sales agent complaints?	Do not reveal all they know to commercial administrator Are more or less "customer friendly"
Sales managers	Peace of mind • leave sales agents in peace • get to know the field and clients directly = risky!	Can expose sales agents' mistakes to management Can bypass the sales agents if they have a strong direct relationship with clients	Have to "keep the numbers" Responsible for their sales agents' performance	Do not interfere much in sales agents' day to day work
Regional sales heads	Maintain a good atmosphere in the region • protect the status quo	Potential impact on administrative staff's careers?	Keep the tonnage for the region All decisions are taken to HQ	Communicate through memos
Commercial administrators	Get appreciated by regional sales head • side with regional sales head	Interpret the group's pricing policy	Need the cooperation (info) of sales assistants	Agree or not on sales agents' demands for special price deals Fully cooperate with regional sales head

sory role. These individuals report to a regional sales head. While some of these individuals are former sales agents, they are operating in a different network, and some have knowledge of the field and others do not.

Regional sales heads (RSH) are the first level operational management (excluding the sales managers who report to them). They are responsible for volumes in their region for a specific network (there is one RSH per network per region). They report to the head of the region, who also supervises Logistics and Sales Administration.

Commercial supervisors act as the RSH's deputies and report directly to them. They supervise the sales assistants (usually a team of three with two secretaries), play a "law-keeping" role, and are notably in charge of enforcing the group's pricing policy.

In many respects, *clients* are also actors within the distribution system, since they may directly contact the sales managers, bypassing the sales agents. Logistics, Sales Administration, and the Head of the Region are not involved in the "endless game" that takes place constantly between the six actors noted above.

By constructing a sociogram of the interactions between the different actors (see Figure 11.2) covert opposition between the sales managers and sales agents begins to emerge, with the latter trying to preserve their autonomy (despite their being direct reports of the former). Alliances take place between sales agents and sales assistants because they "don't get in each other's way" with clearly different and complementary tasks (e.g., male agents being mostly on the road and female assistants in the office). A sense of the dependency between the regional sales head and the commercial

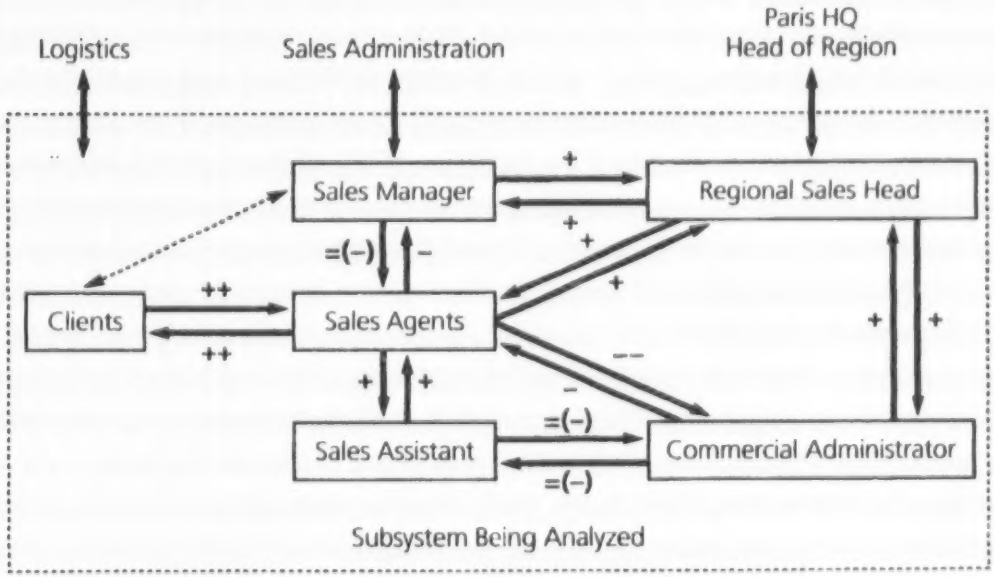

Figure 11.2. Sociogram in the EMIR Group.

administrator also emerges, with the latter not controlling uncertainties, scarce resources, or any source of power/discretion vis-à-vis his boss.

As summarized in Table 11.1, the underlying logic of action or "games" begins to appear more clearly as the analysis unfolds. For example, the power dynamics in the EMIR case are reflected in the actions of the sales agents, who exhibit their "strength" through their direct contact with clients, a major uncertainty for EMIR. Their strategy is to protect their turf and, as a consequence, the status quo as any "top dog" would. These actors would likely oppose any change, especially since they are "winners" in the current system. sales assistants side with them and exchange their cooperation for protection from the commercial administrators, their hierarchical supervisors.

A good way to begin an ALSA assessment is to identify the dominant actor and how he or she defines the "problem"—in essence, what real and often covert objectives the individual is pursuing. In this case, the sales agents wanted to be the sole contact with clients in order to be the only one to master this key "uncertainty." The regional sales heads and commercial administrators form a second group. The RSH's strategy consists of protecting the status quo, as they have everything to lose if the climate in the region deteriorates. They side with the commercial administrators, which allow them to balance the power held by the sales agents as the commercial administrators control a key resource for the sales agents (i.e., the "go"–"no go" decision on special price deals).

The sales managers are the "weak" players. They depend on the Sales Agents and do not have much influence on them. Essentially, they have two strategies available: they can either withdraw and let the sales agents be, or they try to bypass them by acquiring direct knowledge of the field through their own customer contacts, but this second option is risky as it might create more conflicts with the sales agents. The line of command is thus "broken" from the top (regional sales head) to the sales agents because of the covert deadlock between the latter and the intermediary level. Unless this blockage is addressed and the sales agents stop playing the role of being their own "bosses," the system is paralyzed.

While there have been many reorganizations at EMIR, little substantial change had occurred. In addition to its lack of adaptability, the organization is very fragmented, and cross-selling or canvassing is very difficult, as the front line basically operates independently of management control. If one wants to modify behaviors and performance, the rules of the game have to be changed. In this case, based on the ALSA assessment, the advice was to modify the incentive structure by connecting the sales agents' salaries to specific growth targets in terms of net profit rather than sales volume. To achieve these results, the sales agents needed a new information system, which placed the sales managers in a crucial position. This change

reduced the importance of the alliances between the sales agents and the sales assistants, ensuring that the sales managers would be able to add more value to the organization.

Illustrative Case #2: Application to a Belgian Bureaucracy

Similar dynamics can be seen in many state or government bureaucracies: the weakness of the line of command, fragmentation of departments, lack of coordination and cooperation between units, and the resulting high costs for citizens in terms of money, poor quality, slowness of responses, and so forth. Internal "arrangements" between employees and departments allow them not to cooperate and are passed on to the end-users (see Dupuy, 1999).

François Pichault (1993) cites the example of a Belgian bureaucracy (covering the entire country with 16,000 employees) where a new CEO wanted to literally catch up with 30 years of management tools, including MBO, multiskilling, mass training, flattening the organization, and empowering the workforce.[6] In this government agency, employees (claim settlers) have to constantly use set documentation, including laws, government regulations, common law, and internal rules. These documents were typed, photocopied, and filed in cabinets. As a way of improving both the effectiveness and efficiency of the system, the EDP department, in conjunction with a consultant, convinced the CEO to place all documentation online, with each employee having a terminal.

As part of the change plan, an organizational sociologist was brought in to perform a rapid ALSA. Beginning with the identification of the key actors (top management, the head of EDP, the EDP consultant, claim settlers, first level of supervision, documentation specialists), he discovered that experienced employees (as compared with new recruits) did not need the documentation 90 percent of the time. When they did utilize documentation, they relied on their supervisor, who eagerly took over the project to "show off" his expertise.

The analysis revealed that the documentation specialists and supervisors were strongly opposed to the change and had the capacity to greatly undermine it. The employees were neutral at best and would have likely sided with their supervisors. Based on this assessment, one could easily predict that a large investment in hardware and software would be grossly underutilized. Employees would not use their terminals and, if forced to, they would simply turn them on with little real application usage. Based on the ALSA assessment, the final recommendation was to transform the documentation specialists into "resource people," and involve them and the supervisors in the design of the system. Terminals would be given to supervisors and to those employees in units that volunteered to be part of the project.

As suggested in this brief description, we continue to underutilize our knowledge about organizations. Sociotechnical analysis, participative project management, organization development strategies, or, in this case, the actors' logics of action analysis have been known for decades, yet top managers and technology experts ignore their insights, whether for the sake of speed, cost reduction, or expediency. While the ALSA analysis involved 20 consultant days, ultimately millions of francs were saved in what would have been expenditures on underutilized hardware and software.

CONCLUSION: HOW SHOULD ORGANIZATIONS INITIATE CHANGE?

Based on the ALSA framework, it is apparent that the real objectives of the key players in any system must be fully understood and acted upon if the change is to be successful. This approach also has a number of implications for intervening in organizations.

First, tailor-made "solutions" to organizational problems have to be invented locally by relevant stakeholders. An ALSA-type analysis not only involves them in the assessment process but it helps to uncover hidden dynamics, informal regulations, and power games. It is important to understand these concerns *before* rather than *after* a change is implemented.

Second, actors will oppose or cooperate according to: (1) the true objectives and logic underlying their action; and (2) their *perception* of what they will win or lose (based on the impact of experience, values, and culture). It is important to realize, however, that these perceptions or interpretations of the situation are often mixed and contradictory. When this occurs, information sharing, training, and mediated debates can help frame the discussion and rearrange culturally determined interpretations (which can be a lengthy process). For example, after an exploratory study using the ALSA framework was conducted with Air France (1993–1994),[7] the company's 32,000 employees were sent a questionnaire (with a 37 percent response rate) focusing on the issues that were discovered. The survey results were discussed and solutions explored in approximately 1,700 employee meetings. Hundreds of problem-solving groups were launched as part of the objective, trumpeted by the CEO, to instill a cultural, organizational, and structural revolution as part of the company's "rebirth."

Third, while feedback of the analysis to all relevant stakeholders is important, the process itself and getting "buy-in" from the key actors can be difficult. Getting and presenting the "facts" is the easiest step. Ensuring that they are *accepted* by the different parties is far more problematic, especially for managers who feel that they are supposed to be "in charge" and "in control." Thus, it is useful for the consultant (or change agent) to assist

the actors in explaining and interpreting the information, realizing that there may be strong resistance from some of those involved. Drawing on insights from the ALSA assessment, the consultant can mediate the discussion, trying to facilitate a common understanding and agreement by focusing on the actors' logics of action (which are respectable in their own right) in the context of system regulation and its costs. By undertaking this analysis, the consultant or change agent ensures that the "real problems" are put on the table and the present regulations and their costs are visible to all. By building on the ALSA model, one can increase the probability that the actors will better understand and ultimately accept their responsibility and avoid blaming the problem on the others, creating a foundation for "solutions" that are generated by the key parties.

NOTES

1. This chapter is, in part, based on numerous presentations and seminars I have given with my colleague Françoise Chevalier, Professor of Sociology and Human Resource Management at the HEC School of Management, Paris, France, who published *Cercles de qualité et changement organisationnel* (1995), Paris, Economica; *Changes and Managing Contradictions* (1995), EGOS Colloquium, Istanbul; *Dynamics of Organizational Change: The Management of Contradictions* (1997), Academy of Management meeting, Boston.
2. Pfeffer (1981) and Crozier and Friedberg (1980), among others, have developed these ideas. For an excellent longitudinal assessment of companies evidencing this type of functioning, see David Halberstam's (1986) assessment of the decision-making process at Ford and Nissan in the late 1970s and 1980s.
3. See Dupuy and Thoenig (1986) and Dupuy (1999) for a fuller discussion of the L'Oreal case.
4. March and Simon's (1958) distinction between *decision making* and *bargaining* is a good reflection of such rationality.
5. This discussion is based on CEDEP INSEAD Case/HO 1440 (R2), "The Sales & Marketing Organization at EMIR Group." The analysis of the EMIR case was written by Guillaume Soenen, research associate at the HEC School of management.
6. This illustration is drawn from Pichault (1993).
7. See Georges Trepo's case (2001) European Case clearing house n° 401-014-1 *The rebirth of Air France A, B, C & D* (ecch@cranfield.ac.uk); and Dupuy (1999).

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